Supreme Court, U.S.
FILED

No. 04-528

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In The

Supreme Court of the United States

WOMACK+HAMPTON ARCHITECTS, L.L.C.,

Petitioner,

v.

METRIC HOLDINGS LIMITED PARTNERSHIP, *et al.*,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

Petition for Writ of Certiorari

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QUESTIONS PRESENTED

1. When interpreting an unambiguous license of subject matter protectable under Title 17, United Sates Code, is the district court bound by the express terms of the license as has been previously held by this Court, as well as the Second Circuit, Ninth Circuit and Court of Federal Claims, or is the court free to read into the license the conveyance of other rights based on the court's belief regarding what the parties may have "anticipated" would be conveyed?

2. Did the lower court err in its construction of the Owner/Architect Agreements since the result of the decision was to frustrate the purposes of the Copyright Act by usurping those rights specifically identified under 17 U.S.C. § 106?

PARTIES TO THE PROCEEDING

PETITIONER: Womack+Hampton Architects, L.L.C.

RESPONDENTS:
Metric Holdings Ltd., Partnership
Chiles Architects, Inc.
Trammel Crow Residential Company
TCR Operating Company, Inc.
TCR Metric, L.P.
South Central RS, Inc.
TCR South Central, Inc.
TCR South Central 1995, Inc.
TCR South Central Division L.P.
TCR Metric Construction Ltd., Partnership
Gary Chiles
Lewis Bunch
Robert Buzbee
J. Ronald Terwilliger
Kenneth J. Valach
Chris Wheeler
Perry Wilson
TCR Los Rios Limited Partnership
SDT Architects, Inc.
Jerry Daniels
Tim Hogan
Thomas Stoval
John Zeledon

CORPORATE DISCLOSURE STATEMENT

The Petitioner is Womack + Hampton Architects, L.L.C. ("WHA"). WHA is not a publicly held corporation, nor is any part of it owned by one, and there is no other interested party.

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Petitioner, Womack+Hampton Architects, L.L.C. ("WHA") respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Fifth Circuit, entered in the above-entitled proceeding on June 22, 2004.

OPINIONS BELOW

1. The February 19, 2003 Order of the United States District Court for the Western District of Texas is unreported and reproduced at Appendix 25a-28a.

2. The April 18, 2003 Order of the United States District Court for the Western District of Texas is unreported and reproduced at Appendix 21a-24a.

3. The June 22, 2004 per curium Opinion of the United States Court of Appeals for the Fifth Circuit is unpublished, unreported and reproduced at Appendix 1a-18a.

JURISDICTION

A three judge panel of the United States Court of Appeals for the Fifth Circuit entered its ruling affirming a summary judgment dismissing Petitioner's copyright infringement claim against Respondents on June 22, 2004. (1a-18a).

Petitioner filed a Petition for Rehearing on July 6, 2004. (39a-59a). The Fifth Circuit denied that Petition for Rehearing on July 22, 2004. (29a-31a).

The jurisdiction of this Court to review the final judgment of the Court of Appeals' dismissal of Petitioner's infringement claim is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISION AND STATUTE INVOLVED

This case involves those rights accorded the owner of a copyright. The exclusive rights in copyrighted works are addressed in 17 U.S.C. § 106, which sets forth:

"Subject to sections 107 through 121, the owner of copyright under the title has the exclusive rights to do and to authorize any of the following:

1. to reproduce the copyrighted work in copies or phonorecords;

2. to prepare derivative works based upon the copyrighted work;

3. to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

4. in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

5. in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

6. in the case of sound records, to perform the copyrighted work publicly by means of a digital audio transmission."

Pursuant to this Court's Rule 14.1(f), the following provisions are set forth in the Appendix: 17 U.S.C. § 201(d)(2) (33a-34a); 17 U.S.C. § 501(a) (35a-37a).

STATEMENT OF THE CASE

Petitioner WHA brought an action in the United States District Court for the Western District of Texas for copyright infringement under the Architectural Works Copyright Protection Act ("AWCPA") alleging that Respondent TCR infringed and induced infringement of Petitioner's copyrights in certain architectural works by: (1) commissioning the creation of copies and derivative works of Petitioner's copyrighted works; and (2) construction of apartments that incorporated Petitioner's copyrighted works.

On May 22, 2002, Respondent TCR filed a motion for partial summary judgment that Petitioner's claims did not state an action for which copyright damages could be recovered since Respondent was allegedly licensed under several Owner/Architect

Agreements. (205a-218a). Petitioner both opposed TCR's motion and cross-moved for summary judgment that it was entitled to copyright damages on the basis that Respondents' use exceeded the scope of any license under the Owner/Architect Agreements. (184a-204a).

In its February 19, 2003 Order, the district court adopted the report and recommendation of the magistrate judge who recommended that Respondent TCR's motion be granted. (25a-28a). The district court relied upon Section IX(B) of the Owner/Architect Agreements as authority for the purported license for Respondents' re-use and modification of Petitioner's copyrighted works. (27a). Section IX(B), however, is clear that any re-use or modification of Petitioner's works could only be performed by "the Architect" since this same section provides that "the Architect" receive, in addition to the re-use fee, fees for "engineering services", "hourly charges" and "expenses":

> B. The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of $150.00 per unit (base architectural fee),

> plus engineering services, plus contingent additional hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites.

(243a-244a)(emphasis added).

Plainly, Respondent TCR would not pay "the Architect" for "engineering services," "hourly charges" and "expenses" if anyone but "the Architect" was allowed to re-use and modify Petitioner's plans. Under the only possible construction of Section IX(B), therefore, the sole party authorized to copy, re-use and modify Petitioner's copyrighted plans, upon payment of the re-use fee, was "the Architect." Per the plain language of these same Owner/Architect Agreements, "the Architect" was Petitioner, WHA. (219a). Hence, under the express terms of the Owner/Architect Agreements, Respondent TCR was not licensed to use any architect other than Petitioner to re-use or modify Petitioner's copyrighted works.

All parties agreed, and the appellate court found, that the terms of the Owner/Architect Agreements were not ambiguous.[1]

Petitioner filed a motion for reconsideration of the Court's February 19, 2003 Order on March 4, 2003. (131a-150a). In this motion, Petitioner argued that Respondents' re-use and modification of Petitioner's architectural plans exceeded the scope of any license

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[1] The Fifth Circuit found the contract language presented in the Owner/Architect Agreements to be unambiguous: "All parties agree that the Agreements are unambiguous." (8a, fn. 5)."

conveyed under the Owner/Architect Agreements. This Motion for Reconsideration was denied on April 22, 2003. (20a).

Subsequent to the district court's February 19, 2003 Order, Respondents filed a series of dispositive motions. On February 24, 2003, Respondent TCR filed a motion for summary judgment. (159a-165a). On February 27, 2003, Respondent Chiles also filed a motion and cross-motion for summary judgment. (151a-158a). On March 5, 2003, Respondent SDT also filed a motion for summary judgment. (121a-130a). Each of these motions sought final dismissal of all of Petitioner's claims based upon the district court's finding that Respondent TCR was licensed under the Owner/Architect Agreements to re-use and modify Petitioner's copyrighted plans.

A Final Judgment was entered on April 30, 2003. (19a). The district court erroneously reasoned that, while the express terms of the Owner/Architect Agreements did not allow for re-use and modification by architects other than Petitioner, Respondent TCR was nevertheless licensed under the Agreements based on what the district court concluded the parties may have "contemplated" would be the scope of the license. (23a-24a).

Petitioner filed an appeal to the Fifth Circuit challenging the district court's granting of summary judgment that Respondent TCR's use of architects other than Petitioner to re-use and modify Petitioner's copyrighted architectural works exceeded the scope of any license conveyed to TCR by Petitioner under the

Owner/Architect Agreements but the re-use did not amount to copyright infringement. (60a-109a). Petitioner appealed the issue of whether the district court erred in the entry of summary judgment that a cause of action for copyright infringement would not lie even where the express terms of the operative copyright licenses were admittedly exceeded. (73a).

In an opinion dated June 22, 2004, the Fifth Circuit affirmed the Judgment of the district court for equally unsound reasons. (1a-18a). The Fifth Circuit recognized that the express terms of the Owner/Architect Agreements between Petitioner and Respondent TCR were exceeded when TCR used architects other than Petitioner to re-use and modify plans for two apartment complexes in Austin and Dallas, Texas. The three judge panel nevertheless held that Respondents' actions did not give rise to an action for copyright infringement based on the panel's conclusion of what the parties "anticipated" might occur, even though these terms of "anticipation" were nowhere present in the operative copyright licenses and, in fact, were contradicted by the express wording of the licenses that identified Petitioner as the only "Architect." (12a-13a; 219a).

REASONS FOR GRANTING THE WRIT

1. The Fifth Circuit's Decision Conflicts With Decisions Of This Court And Other Circuits

The Fifth Circuit in this case held that the scope of an unambiguous copyright license is not confined to its express terms but also includes that which the court

believes the parties may have "anticipated" might flow from the copyright holder.

The Final Judgment of the district court was premised on the existence of an unambiguous, express license that purportedly granted Respondent TCR the right to re-use and modify Petitioner's copyrighted works using other architects. The construction of this re-use license must therefore be reviewed based on the constraints imposed under the Copyright Statute. Cohen v. Paramount Pictures Corp., 845 F.2d 851, 854 (9th Cir. 1988)(a copyright license must be construed in accordance with the purposes underlying federal copyright law). The Copyright Act provides that "anyone who violates one of the exclusive rights of the copyright owner . . . is an infringer of the copyright." 17 U.S.C. § 501(a). The "exclusive rights" are defined and enumerated in 17 U.S.C. § 106. The copyright owner may transfer any or all of these rights. 17 U.S.C. §§ 106, 201(d)(2); Vault Corp. v. Quaid Software, Ltd., 847 F.2d 255, 258 (5th Cir. 1988).

The Fifth Circuit's opinion is at odds with this Court's holding as well as decisions arising out of the Second and Ninth Circuits and the Court of Federal Claims. These courts have held that the scope of a copyright license is confined to its express terms and that any subject matter not expressly conveyed will be construed as remaining in the copyright holder.

Decisions arising in the patent context are given great deference in interpreting federal copyright law. This Court has held that where precedent in copyright cases is lacking, it is appropriate to look for guidance to

patent law "because of the historic kinship between patent law and copyright law." Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 439 (1984); Dynacore Holdings Corp. v. U.S. Philips Corp., 363 F.3d 1263, 1275 (Fed. Cir. 2004); Harris v. Emus Records Corp., 734 F.2d 1329, 1333 (9th Cir. 1984).

The Fifth Court's opinion is in direct and irreconcilable conflict with this Court's decision in Henry v. A.B. Dick Co., in which the Court held that, in the patent context, any "use [not licensed] is necessarily reserved to the [licensor]." 224 U.S. 1, 24 (1912). The Fifth Circuit's opinion held that Respondent TCR was licensed to re-use and modify Petitioner's copyrighted works even though such use exceeded the scope of that unambiguous license that TCR enjoyed under the operative agreements. Hence, the Fifth Circuit held that a use not licensed is not reserved to the licensor, but instead may be conveyed, sub silentio, to the licensee even where such implied conveyance plainly exceeds the scope of the parties' express and unambiguous agreement.

The Fifth Circuit's opinion is further in conflict with decisions arising out of the Ninth Circuit in S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1088 (9th Cir. 1989); Cohen, 845 F.2d at 854 (the rights enumerated under 17 U.S.C. § 106, unless specifically conveyed, remain in the grantor); and Beckman Instruments Inc. v. Cincom Sys. Inc., 2000 U.S. App. LEXIS 18166, *5 (9th Cir. 2000), cert. denied, 531 U.S. 1150 (2001)("we have rejected the argument that license agreements permit that which they do not prohibit"); the Second Circuit's decision in Gilliam v. American Broadcasting Cos., 538 F.2d 14, 22-

23 (2nd Cir. 1976); and the decision of the Court of Federal Claims in Inslaw, Inc. v. U.S., 40 Fed. Cl. 843, 854-55 (Fed. Cl. 1998). These sister circuits have held that a copyright conveyance must be construed in accordance with the terms of the express conveyance, with all subject matter not expressly conveyed retained by the copyright holder. See, S.O.S., Inc., 886 F.2d at 1088 ("copyright licenses are assumed to prohibit any use not authorized"); Gilliam, 538 F.2d at 23 (the terms of a copyright conveyance are confined to its express terms and do not extend to that which might have been "anticipated"); Inslaw, Inc., 40 Fed. Cl. at 854-55 (the terms of a copyright conveyance should be construed to exclude that not specifically conveyed).

While the district court in this case recognized the absence of any language of conveyance in the Owner/Architect Agreements that would allow Respondent TCR (or those retained by TCR) to re-use and modify Petitioner's copyrighted plans, that court held that the re-use clause of Section IX(B) necessarily contemplated modifications of the drawings and specifications by architects other than WHA to adapt the plans to other sites. (23a-24a). The Fifth Circuit adopted this erroneous conclusion in its opinion when it held that "the re-use provision anticipates copyright use, specifically use of the copyrighted plans for other projects" (10a)(emphasis added) and "TCR's re-use appears to be consistent with that anticipated under the contract." (13a)(emphasis added).

In reaching this opinion, the Fifth Circuit erred under prevailing precedent arising out of other circuits since the district court was not free to insert terms of

conveyance into the contract where none were agreed to by the parties nor evidenced in the operative documents, regardless of what was believed to have been "contemplated" or "anticipated." See e.g., Gilliam, 538 F.2d at 23.

The Second Circuit's decision in Gilliam addressed the requirement that a copyright license must be construed according to its literal and express terms. In Gilliam, ABC acquired the right to air excerpts from several Monty Python programs. By their express terms, the instruments conveying the license for ABC to use these programs did not allow ABC to edit these programs. Nevertheless, ABC proposed to broadcast an edited version of these excerpts as a derivative work. Monty Python sued to enjoin the proposed airing of this derivative work as beyond the scope of the license. The Second Circuit found that ABC's creation of a derivative work exceeded the scope of the license and thus constituted an infringement of the copyrights in the original work. Gilliam, 538 F.2d at 21-23.

Identical to the reasoning applied here by the Fifth Circuit in affirming the decision of the district court, ABC contended that while the underlying copyright license did not expressly allow modification of the copyrighted work, the court should read the license to take into account what the parties "anticipated" at the execution of the Agreement. (See 13a). The Second Circuit found these arguments unpersuasive and held that the scope of the copyright license enjoyed by ABC was confined to its express terms:

> Finally, ABC contends that appellants must have expected that deletions would be made in the recordings to conform them for use on commercial television in the United States. ABC argues that licensing in the United States implicitly grants a license to insert commercials in a program and to remove offensive or obscene material prior to the broadcast. According to the network, appellants should have anticipated that most of the excised material contained scatological references inappropriate for American television and that these scenes would be replaced with commercials, which presumably are more palatable to the American public.
>
> * * *
>
> Several of the deletions made for ABC, such as elimination of the words "hell" and "damn," seem inexplicable given today's standard television fare. If, however, ABC honestly determined that the programs were obscene in substantial part, it could have decided not to broadcast the specials at all, or it could have attempted to reconcile its differences with appellants. The network could not, however, free from a claim of infringement, broadcast in a substantially altered form a program incorporating the script over which the group had retained control.

Gilliam, 538 F.2d at 23 (emphasis added); see also, Inslaw, Inc., 40 Fed. Cl. at 854-55 (a transfer of rights

under a copyright will not be implied absent express language of conveyance).

By its express terms, the Owner/Architect Agreements allowed Respondent TCR to exercise an option to retain "the Architect" to copy, re-use and modify Petitioner's copyrighted plans. These same Agreements defined "the Architect" as Petitioner WHA—not Respondents Chiles or SDT. The Fifth Circuit's opinion, under the guise of divining what the parties may have "anticipated," necessarily implied certain terms in the Owner/Architect Agreements not expressly set forth and agreed to between the parties. The Fifth Circuit's opinion thus runs counter to the Second Circuit's opinion in Gilliam and relies on the identical rationale presented by ABC—i.e. what the parties may have "anticipated."

The Fifth Circuit's opinion flies in the face of well-established case law regarding the construction to be applied to an unambiguous contract. The Fifth Circuit has stated "that when the contract is not ambiguous, [the court] has no authority to reach beyond the four corners of the document." Texas E. Transmission Corp. v. Amerada Hess Corp., 145 F.3d 737, 741 (5th Cir. 1998); see also Huggs, Inc. v. LPC Energy, Inc., 889 F.2d 649, 653 (5th Cir. 1989). The Fifth Circuit has also held that, in construing an unambiguous contract, the parties' intent must be taken from the agreement itself, not from the parties' present interpretation, and the court must enforce the unambiguous contract as written. Southwestern Bell Tel. Co. v. Public Utility Comm'n of Texas, 208 F.3d 475, 485 (5th Cir. 2000)("Under Texas law,

unambiguous contracts must be enforced as written, with the intent of the parties being derived from the agreement itself."); U.S. v. Chromalloy American Corp., 158 F.3d 345, 350 (5th Cir. 1998)(when a contract is expressed in unambiguous language, the terms of the contract must be given their plain meaning and enforced as written); Certain Underwriters at Lloyd's of London v. C.A. Turner Constr. Co., 112 F.3d 184, 186 (5th Cir. 1997).

If the contract is not ambiguous, the Fifth Circuit has consistently held that the district court must give effect to the ordinary meaning of the words. The court may not impose a subjective interpretation onto the express language of the contract and in so doing "create an ambiguity where none exists." Rutgers, State University v. Martin Woodlands Gas Co., 974 F.2d 659, 662 (5th Cir. 1992).

Here, however, the Fifth Circuit departed drastically from the license's express language when it interpreted the WHA contract. The Fifth Circuit found the contract to be unambiguous. Despite this finding, the Fifth Circuit imposed a subjective construction onto the express language in the contract and did not enforce the contract as written. The Fifth Circuit therefore erroneously enforced a contract based on what it believed to be the unexpressed, "anticipated" intent of the parties.

2. The Fifth Circuit's Opinion Frustrates The Purpose Of The Copyright Act

This district court was constrained to construe the Owner/Architect Agreements in a manner consistent with the Copyright Act to preserve those rights not licensed by the licensor—here Petitioner. Fantastic Fakes, Inc. v. Pickwick Int'l, Inc., 661 F.2d 479, 482-83 (5th Cir. 1981); see also, Sun Microsystems, Inc. v. Microsoft Corp., 188 F.3d 1115, 1122 (9th Cir. 1999)(state law provides rules of contract construction only insofar as these rules do not interfere with federal copyright law and policy); Vault Corp., 847 F.2d at 269 ("'when state law touches upon the area of [patent or copyright statutes], it is 'familiar doctrine' that the federal policy 'may not be set at naught, or its benefits denied' by the state law'")(quoting Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225, 229 (1964)). The Fifth Circuit's affirmance of the district court's erroneous construction of the Owner/Architect Agreements frustrates the purposes of the Copyright Act since the decision usurps those rights specifically identified under 17 U.S.C. § 106.

Public policy interests can only be preserved by strictly reading a copyright license based on the license's express terms. Such policy concerns are identical to those observed by the circuit courts in confining the reading of a contract to its four corners. These policy concerns were articulated in Wilson Arlington Co. v. Prudential Ins. Co. of America:

> If parties to an agreement could not rely on written words to express their consent to the express terms of the agreement, those words would become little more than sideshows in a circus of self-serving declaration as to what the parties to the agreement really had in mind.

912 F.2d 366, 370 (9th Cir. 1990).

The Fifth Circuit's opinion serves to cast uncertainty on the evaluation of the scope of the rights conveyed under the copyright laws. Under the Fifth Circuit's opinion, a copyright holder in the Fifth Circuit can no longer be confident that an explicit, unambiguous, express license of subject matter will not be construed to extend well beyond the license's four corners based on what rights a district court believed the parties "anticipated" should be conveyed.

CONCLUSION

For these various reasons, this petition for writ of certiorari should be granted.

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IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 03-50549

[ENTERED: JUNE 22, 2004]

WOMACK+HAMPTON ARCHITECTS, L.L.C.,

Plaintiff-Appellant

v.

METRIC HOLDINGS LIMITED PARTNERSHIP; CHILES ARCHITECTS, INC.; TRAMMEL CROW RESIDENTIAL COMPANY; CHRIS WHEELER; TCR OPERATING COMPANY, INC.; TCR METRIC, LP; SOUTH CENTRAL RS, INC.; TCR SOUTH CENTRAL, INC.; TCR SOUTH CENTRAL 1995, INC.; TCR SOUTH CENTRAL DIVISION LP; TCR METRIC CONSTRUCTION LIMITED PARTNERSHIP; GARY CHILES; ROBERT BUZBEE; LEWIS BUNCH; KENNETH J. VALACH; PERRY WILSON; J. RONALD TERWILLIGER,

Defendants-Appellees

WOMACK+HAMPTON ARCHITECTS, L.L.C.,

Plaintiff-Appellant

v.

TRAMMEL CROW RESIDENTIAL; TCR LOS RIOS LIMITED PARTNERSHIP COMPANY; TCR SOUTH CENTRAL 1995, INC.; SDT ARCHITECTS, INC.; LEWIS

BUNCH; KENNETH J VALACH; THOMAS STOVALL; JOHN ZELEDON; TIM HOGAN; JERRY DANIELS; PERRY K WILSON,

Defendants-Appellees

CONS. W/ CASE NO. No. 03-50859

WOMACK+HAMPTON ARCHITECTS, L.L.C.,

Plaintiff-Appellee

v.

METRIC HOLDINGS LIMITED PARTNERSHIP; CHILES ARCHITECTS, INC.; TRAMMEL CROW RESIDENTIAL COMPANY; CHRIS WHEELER; TCR OPERATING COMPANY, INC.; TCR METRIC, LP; SOUTH CENTRAL RS, INC.; TCR SOUTH CENTRAL, INC.; TCR SOUTH CENTRAL 1995, INC.; TCR SOUTH CENTRAL DIVISION LP; TCR METRIC CONSTRUCTION LIMITED PARTNERSHIP; GARY CHILES; ROBERT BUZBEE; LEWIS BUNCH; KENNETH J. VALACH; PERRY WILSON; J. RONALD TERWILLIGER,

Defendants-Appellants

WOMACK + HAMPTON ARCHITECTS, L.L.C.,

Plaintiff-Appellee

v.

TRAMMEL CROW RESIDENTIAL; TCR LOS RIOS LIMITED PARTNERSHIP COMPANY; TCR SOUTH CENTRAL 1995, INC.; LEWIS BUNCH; KENNETH J VALACH; JOHN ZELEDON; TIM HOGAN; JERRY DANIELS; PERRY K WILSON,

Defendants-Appellants

Appeals from the United States District Court
for the Western District of Texas
A-01-CV-591-JN
A-02-CV-793-JN

Before DAVIS, BENAVIDES and PRADO, Circuit Judges.

PER CURIAM:*

Appellant Womack+Hampton Architects, L.L.C. ("WHA") appeals from the district court's grant of summary judgment against it on its copyright infringement claims. Two of the defendants below cross-appeal from the district court's refusal to grant them attorney's fees. We affirm both decisions.

Background Facts and Procedural History

From 1996 to 1998, WHA designed five different apartment projects for Appellee/Cross-Appellant Trammell Crow Residential ("TCR").[1] For each project, WHA and TCR signed Owner/Architect Agreements ("Agreements") that

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* Pursuant to 5TH CIR. R. 47.5, the court has determined that this opinion should not be published and is not precedent except under the limited circumstances set forth in 5TH CIR. R. 47.5.4.

1 WHA sued several related Trammell Crow entities. We will refer to all the entities collectively as TCR.

provided the terms under which WHA would work. Two paragraphs of these agreements are at the center of the parties' dispute:

> IX. OWNERSHIP AND RE-USE OF DOCUMENTS
> A. The Drawings, Specifications, and other documents prepared by the Architect for this project are the instruments of the Architect's service for use solely with respect to this project and the Architect shall be deemed the author of these documents and shall retain all common law, statutory, and other reserved right [sic], including copyright.
> . . .
> B. The Owner agrees not to use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of [sic] $150.00 per unit (base architectural fee), plus engineering services, plus contingent hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites.

Each agreement contained identical provisions, except that the stated base architectural fee for one of the projects was $250.

After all five projects were completed, TCR hired two different architecture firms, Chiles Architects, Inc. and SDT Architects, to design two projects – one in Austin (called The North Bend) and one in Plano, Texas (called Los Rios). In designing The North Bend, Chiles used some of

WHA's schematics. Similarly, in designing Los Rios, SDT used WHA's schematics from an earlier project.

On September 30, 1998, after discovering TCR's actions, WHA sent TCR a letter demanding that TCR pay the reuse fee set forth in the Agreement. The letter began:

> As you know, Chiles Architects, Inc. has prepared, without our knowledge, Construction Documents for Trammell Crow Residential utilizing plans which are copyrighted property of Womack+Hampton Architects. In the past, on another development in Austin, an agreement was reached between Womack+Hampton Architects, Trammell Crow Residential and Chiles Architects allowing him to utilize our designs on that development for a Use Fee which is common in this industry. Unfortunately, no such agreement was requested nor exists for the use of our Windfern designs.
>
> In an effort to rectify what is an improper use of our work product, we have contacted Mr. Chiles to reach a settlement agreement. We would like your cooperation and agreement to this offer of settlement . . .
>
> (4) Our original agreement with Trammell Crow Residential, Houston, for Windfern calls for a $150.00 per unit Re-Use fee for future use of our plans. Because of our long relationship with your company, and the fact that the plans were redrafted by Mr. Chiles, we are willing to accept one half of that amount, i.e. $75.00 per unit for a total Use Fee

> of $27,450.00. Any future reuse of this product will be priced per the original written agreement.[2]

TCR replied by asking WHA to waive the base architectural fee of $150 per unit. TCR never paid any fee and contends that because it did not hear back from WHA, it understood that WHA had agreed to waive the fee.

WHA originally sued TCR and Chiles and Chiles's principal[3] for copyright infringement in the Western District of Texas. WHA filed an additional suit against TCR, SDT, and SDT's principals,[4] based on essentially the same issues, in the Southern District of Texas. The second case was transferred to the Western District and then consolidated with the original Western District case. Neither suit contained a claim for breach of contract, and WHA has repeatedly stated that it did not bring a contract claim.

TCR filed two motions for summary judgment. In the first motion, TCR argued that WHA's damages were limited to the reuse fee contained in the Owner/Architect Agreements. The district court referred this motion to the magistrate judge, who recommended granting it. After the cases were consolidated, the magistrate issued an amended report and recommendation which expanded the same conclusion to the claims related to SDT's use. WHA filed objections, but the district court accepted the magistrate's recommendation.

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[2] No party objected to using this settlement offer as evidence. In fact, all the parties cite it as evidence.

[3] We will collectively refer to the company and its principal as "Chiles."

[4] We will collectively refer to the company and its principal as "SDT."

Shortly after the district court's summary judgment order, TCR, Chiles, and SDT filed additional motions for summary judgment seeking dismissal of all of WHA's claims. These motions contended that the contract permitted the reuse and that TCR's failure to pay the reuse fee was only a breach of contract, not copyright infringement. The magistrate recommended granting this motion. The district court accepted the magistrate's recommendation over WHA's objections and granted summary judgment on all of WHA's claims. WHA timely filed a notice of appeal. TCR and Chiles also moved for attorney's fees. The district court denied these motions. TCR and Chiles cross-appeal from the denial.

We review the district court's grant of summary judgment de novo. Hanks v. Transcon. Gas Pipe Line Corp., 953 F.2d 996, 997 (5th Cir. 1992). The district court's decision concerning attorney's fees is reviewed for an abuse of discretion. Bridgmon v. Array Sys. Corp., 325 F.3d 572, 577-78 (5th Cir. 2003).

Interpreting the Agreements

The parties agree that the reuse provision provides a copyright license. They disagree, however, about the scope and meaning of that license, as well as when it arose. Generally, licensing agreements, like other contracts, are interpreted under state law. Fantastic Fakes, Inc. v. Pickwick Int'l, Inc., 661 F.2d 479, 483 (5th Cir. Unit B 1981) (applying Georgia law to a license agreement and noting that "application of Georgia rules to determine parties' contractual intent is not preempted by either copyright act nor does their application violate federal copyright policy"); see also Kennedy v. Nat'l Juvenile Detention Ass'n, 187 F.3d 690, 694 (7th Cir. 1999) ("[n]ormal rules of contract

construction are generally applied in construing copyright agreements").

When interpreting unambiguous contracts,[5] Texas courts "give terms their plain, ordinary, and generally accepted meaning unless the instrument shows that the parties used them in a technical or different sense," in order to "enforce the unambiguous document as written." Heritage Res., Inc. v. NationsBank, 939 S.W.2d 118, 121 (Tex. 1996). The goal of interpretation is to give effect to the parties' intentions as expressed in the contract. Sun Oil Co. (Del.) v. Madeley, 626 S.W.2d 726, 727-28 (Tex. 1981). Thus,"[i]n the ordinary case, the writing alone will be deemed to express the intention of the parties." Id. at 728. "Only where a contract is first found to be ambiguous may the courts consider the parties' interpretation." Id. at 732. Texas courts read the contract as a whole and give each part of the contract meaning. Forbau v. Aetna Life Ins. Co., 876 S.W.2d 132, 133 (Tex. 1994). Interpretation of unambiguous contracts is a question of law. DeWitt County Elec. Coop., Inc. v. Parks, 1 S.W.3d 96, 100 (Tex. 1999).

Does the reuse provision permit TCR to hire architects other than WHA?

Under WHA's interpretation, the reuse provision requires TCR to hire WHA on any subsequent project for which TCR wanted to reuse the plans. WHA bases this reading on the reuse section's inclusion of engineering fees,

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[5] All parties agree that the Agreements are unambiguous. Under Texas law, if a contract "is so worded that it can be given a certain or definite legal meaning, it is not ambiguous." Sun Oil Co. (Del.) v. Madeley, 626 S.W.2d 726, 732 (Tex. 1981). Parties' disagreement about how to interpret a contract does not make it ambiguous. Forbau v. Aetna Life Ins. Co., 876 S.W.2d 132, 134 (Tex. 1994)("not every difference in the interpretation of a contract or an insurance policy amounts to an ambiguity").

hourly charges, and expenses along with the $150 (or $250) reuse fee. Specifically, this language provides that, upon reuse, TCR must pay:

> proper compensation to the Architect,[6] which shall be based upon a mutually agreed upon of [sic] $150.00 per unit (base architectural fee), plus engineering services, plus contingent hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites.

According to WHA, reading the Agreements to permit anyone other than WHA to reuse and modify the plans would render meaningless the contract provision about paying for engineering services, hourly charges, and expenses. WHA concludes that because of this, the entire provision can only apply to WHA.

In contrast, Appellees argue that this clause means that they had the right to reuse WHA's designs; in return, they only had to pay the base reuse fee. Appellees argue that the reuse clause would be meaningless (and pointless) if it limited the reuse to WHA; WHA already had the right to reuse. According to Appellees, such an interpretation runs afoul of the Texas contract rule that all terms of a contract should be given effect, the same rule that WHA cites when discussing the engineering fees and other costs.

At issue, then, is the scope of the reuse provision and the meaning of the right to use. WHA analogizes to, and the district court distinguished, a Ninth Circuit case interpreting the extent of a right to use, S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989). In that case, S.O.S., which provided computer hardware and software for payroll companies,

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[6] The Agreements identify WHA as "the Architect."

entered into a license with Payday, a payroll services company. Id. Under this agreement, Payday would use S.O.S. software on Payday's independent accountant's computer, rather than installing a computer in its office. Id. The agreement provided that Payday "is acquiring the right of use, SOS retains all rights of ownership." Id. Payday later hired former S.O.S. employees to create programs derived from S.O.S.'s program and install those programs on Payday's computer. S.O.S sued for copyright infringement, among other things. Id. at 1084. The Ninth Circuit concluded that the license's right of use did not cover S.O.S.'s conduct:

> In the context of the parties' entire agreement, it is clear that the 'right of use' was not intended to refer to copyright use. The contract does not refer explicitly to copyright or to any of the copyright owner's exclusive rights. Payday clearly was concerned solely with obtaining output in the form of processing payroll information for its customers.

Id. at 1088. The court emphasized that this determination was based on the facts and noted that "[w]ere this a license between S.O.S. and another software writer, 'right of use' might be more properly construed to include uses, such as modification of the software, otherwise reserved to the copyright holder." Id. at 1088 n.8; see also Kennedy, 187 F.3d at 695 (license granting a client "the right to use, duplicate and disclose, in whole or in part, such materials in any manner for any purpose whatsoever" gave client the right to create derivative works from the copyrighted work).

Unlike the use in S.O.S., here it is clear that the reuse provision anticipates copyright use, specifically use of the copyrighted plans for other projects. Unlike the contract in

S.O.S., the Agreement refers to copyright, and the parties were addressing reuse of the plans themselves, not of the information derived from a copyrighted work.

Additionally, both sides cite evidence outside the contract to show the existence of earlier dealings and the parties' interpretation of the contracts.[7] Initially, the parties refer to the September 30, 1998 letter that WHA sent to TCR. In particular, WHA points to the section of the letter referring to a past occurrence to support its argument that no other architects were permitted to use its design:

> In the past, on another development in Austin, an agreement was reached between Womack+Hampton Architects, Trammell Crow Residential and Chiles Architects allowing [Chiles] to utilize our designs on that development for a Use Fee which is common in this industry. Unfortunately, no such agreement was requested nor exists for the use of our Windfern designs.

In contrast, however, another part of this letter, cited by Appellees, suggests that the reuse fee covered exactly this situation:

> Our original agreement with Trammell Crow Residential, Houston, for Windfern calls for a $150.00 per unit Re-Use fee for future use of our plans. Because of our long relationship with your company, and the fact that the plans were redrafted by Mr. Chiles, we are willing to accept one half of that amount, i.e.

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[7] As noted earlier, Texas law does not permit courts to consider parties' interpretations of unambiguous contracts. Sun Oil, 626 S.W.2d at 732.

> $75.00 per unit for a total Use Fee of $27,450.00. Any future reuse of this product will be priced per the original written agreement.

Thus, the same letter supports both interpretations of the agreement. As additional outside evidence of interpretation, WHA cites the previous agreement referred to in the letter. The record contains only one other agreement. This agreement is between TCR and Chiles and relates to a project that TCR had been working on "for several months" and that Chiles took over, using WHA's design concepts. Thus, this is not necessarily a situation where the reuse provision would apply; it was not clearly another site or subsequent phase. Under the WHA/Chiles agreement, Chiles could not reproduce the designs on other projects without WHA's approval and provided that WHA was to receive credit as the "Building Design Architect." The agreement did not require Chiles to pay WHA for using the design concepts on that project, but it provided that "if Chiles chooses to re-use the plans and designs prepared for this Project on subsequent projects, Chiles, or Chiles's Client, shall pay [WHA] the sum of $75.00 for each unit to be placed on the site. The base re-use architectural design fee shall not be less than $10,000.00 for the use of the designs." The contract indicates that WHA would enter into a separate agreement with TCR, but no agreement is in the record.

In sum, the outside evidence is of limited use. The previous agreement is distinguishable from the situation here, and the September 1998 letter supports both interpretations. Because this evidence does not help us, we end up relying on the contract language itself. And like the district court, we conclude that the language permitted the use.

Even construed narrowly, the contract language does not support WHA's interpretation that TCR was required to use WHA on any future reuse of the plans. The Agreements provided that TCR could reuse the work and also required it to pay WHA a fee to do so. TCR's reuse appears to be consistent with that anticipated under the contract.

Condition Precedent

WHA also argues that the district court erred when it refused to construe payment of the reuse fee as a condition precedent to TCR's right to reuse. Texas law disfavors interpreting a contract provision as a condition precedent, and "forfeiture by finding a condition precedent is to be avoided when another reasonable reading of the contract is possible." Criswell v. European Crossroads Shopping Ctr., Ltd., 792 S.W.2d 945, 948 (Tex. 1990). The Texas Supreme Court described the usual situation in which a court will interpret a provision as a condition precedent:

> In order to make performance specifically conditional, a term such as "if", "provided that", "on condition that", or some similar phrase of conditional language must normally be included. Landscape Design v. Harold Thomas Excavating, 604 S.W.2d 374, 377 (Tex.Civ.App.—Dallas 1980, writ ref'd n.r.e.). If no such language is used, the terms will be construed as a covenant in order to prevent a forfeiture. While there is no requirement that such phrases be utilized, their absence is probative of the parties intention that a promise be made, rather than a condition imposed. See Hohenberg Bros. Co. v. George E. Gibbons & Co., 537 S.W.2d 1, 3 (Tex. 1976).

Criswell, 792 S.W.2d at 948.

Similarly, when analyzing copyright licenses, many courts have refused to interpret payment as a condition precedent. I.A.E., Inc. v. Shaver, 74 F.3d 768, 778 (7th Cir. 1996); Effects Assoc., Inc. v. Cohen, 908 F.2d 555, 559 n.7 (9th Cir. 1990) ("[n]or can we construe payment in full as a condition precedent to implying a license."); Irwin v. Am. Interactive Media, Inc., 1994 WL 394979 at *4, 1994 U.S. Dist. LEXIS 16223 (C.D. Cal. April 14, 1994); cf. Graham v. James, 144 F.3d 229, 237 (2d Cir. 1998) (payment of royalties not a condition precedent). WHA has not cited any cases in which payment under a license was found to be a condition precedent.

Despite the lack of caselaw involving payment, WHA contends that because the general conveyance was limited to the individual projects, the reuse right only arose after TCR paid a fee. WHA does not, however, cite specific language in the Agreements that would indicate that the reuse fee was a condition precedent and not merely a promise to pay.

Instead, WHA relies on McRoberts Software, Inc. v. Media 100, Inc., No. IP99-1577-C-M/S, 2001 WL 1224727(S.D. Ind. Aug. 17, 2001). McRoberts involved a software licensing agreement; the question was whether the defendant could use the plaintiff's software without using a particular kind of hardware, called Media 100. 2001 WL 1224727 at *10. In other words, the parties argued over whether use of Media 100 hardware was a condition of the license. The relevant language authorized the defendant to, among other things, "distribute executable code versions of [modified] CG Option 2.0 when integrated with DTI's Media 100 hardware and software . . . and such versions shall be licensed only for use on such hardware." Id. (emphasis omitted). Reading this language, the court concluded that without the integration with the Media 100

hardware, the defendant never obtained a license to use plaintiff's software. Id.

As WHA concedes, much of the McRoberts decision depends on the conditional language in the license – in particular, the use of the word "when." Thus, McRoberts resembles the other cases involving conditions precedent. WHA argues that although its contract does not contain conditional language, its case is stronger than the McRoberts plaintiff's case because the McRoberts contract was a conveyance, whereas the reuse section consisted of words of reservation with a conditional exception. WHA contends that reservations are more narrowly construed than conveyances. Despite WHA's claims, this distinction cannot override the absence of language in the Agreements suggesting that payment is a condition precedent.

In short, WHA has not cited specific language in the Agreements that would suggest that the fee is a condition precedent. Although it argues that dealings outside the contract indicate the existence of a condition precedent, these dealings are not persuasive, particularly in light of the cases finding a payment term merely to be a promise. The district court, thus, did not err in refusing to read payment of the reuse fee as a condition precedent.

Did the reuse license extend to Chiles and SDT?

Lastly, WHA argues that, even if a reuse license existed, this license was personal to TCR and non-transferable without WHA's consent. In support, WHA cites a case that holds that nonexclusive patent licenses are non-transferrable. In re CFLC, Inc., 89 F.3d 673, 679 (9th Cir. 1996). Based on an analogy to patent law, the Ninth Circuit has also indicated that copyright licenses are not transferrable. Harris v. Emus Records Corp., 734 F.2d 1329 (9th Cir. 1984); see also SQL Solutions, Inc. v. Oracle Corp.,

No.C-91-1079, 1991 WL 626458,(N.D. Cal. Dec. 18, 1991). Thus, WHA argues that Chiles's and SDT's use gives rise to a separate infringement claim.

The magistrate concluded, however, that the reuse provision specifically anticipated that third parties would be involved in the reuse. Specifically, the magistrate pointed to the phrase "cause to have copied" and noted that reuse on another site would require third-party involvement. TCR, too, provides evidence that to "use . . . the drawings and specifications prepared for this project on subsequent phases or other sites" would necessarily require TCR to hire an architect to adapt the plans to fit the other site. Use consistent with a license is a defense to an infringement claim. Lulirama Ltd., Inc. v. Axcess Broadcast Svs., Inc., 128 F.3d 872, 879 (5th Cir. 1997).

Further, TCR's hiring of Chiles and SDT does not appear to be a transfer of the rights contained in the license. Cf. Hogan Sys., Inc. v. Cybresource, Int'l, 158 F.3d 319, 323 (5th Cir. 1998) (bank's use of independent contractors to work on licensed software not a transfer of license to contractor because "all of the work being done inures to the benefit of [the bank]"). The use here is consistent with the license and is not an impermissible transfer.

Cross-Appeal on Attorney's Fees

TCR and Chiles appeal the district court's denial of their motions for attorney's fees. A court may award attorney's fees to a prevailing party under the Copyright Act. 17 U.S.C. § 505. Although routinely awarded, these fees are discretionary. Hogan, 158 F.3d at 325. That these fees are routinely awarded, however, does not mean that they are automatically awarded. See, e.g., Creations Unlimited, Inc. v. McCain, 112 F.3d 814, 817 (5th Cir. 1997) (noting that the Supreme Court "repudiated the 'British Rule' for automatic

recovery of attorney's fees by the prevailing party" and holding that the district court did not abuse its discretion in denying fees). The Supreme Court has listed several non-exclusive factors that are relevant to the fee determination: "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." Fogerty v. Fantasy, Inc., 510 U.S. 517, 535 n.19 (1994) (quoting Lieb v. Topstone Indus., Inc., 788 F.2d 151, 156 (3d Cir. 1986)). In Fogerty, the Supreme Court determined that these fees should be awarded evenhandedly to both prevailing plaintiffs and defendants. Id. at 534. The district court's decision concerning attorney's fees is reviewed for an abuse of discretion. Bridgmon v. Array Sys. Corp., 325 F.3d 572, 577-78 (5th Cir. 2003).

In this case, the district court accepted the magistrate's report and recommendation that contained a thorough analysis of the above factors. First, the magistrate determined that WHA's claim was not frivolous, citing three reasons for this conclusion. The magistrate determined that WHA's claims had some case law support, specifically S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989). The magistrate also noted that the sheer number of hours TCR's lawyers claimed to have spent argued against frivolousness.[8] Finally, in response to TCR and Chiles' arguments that WHA had requested frivolously large amounts of damages, the magistrate noted that WHA's method of calculating damages was permissible under the Copyright Act. Based on the same factors, the magistrate concluded that WHA's claims were not legally or factually objectively unreasonable.

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[8] The magistrate cited Christian v. Mattel, Inc., 286 F.3d 1118, 1132 n.12 (9th Cir. 2002) for the idea that defending a frivolous case should not require an excessive amount of fees.

Examining motivation, the magistrate also concluded that Chiles presented no evidence that the suit was improperly motivated; Chiles only cited WHA's three-year delay in bringing suit. Although Chiles argued that WHA's purpose was "to recover as much money as possible and punish the Crow defendants," the magistrate noted that "[a]s even the Chiles Defendants concede, the desire to recover damages underlies the vast majority of lawsuits."

Finally, the magistrate concluded that awarding TCR and Chiles fees would not advance considerations of compensation and deterrence. In fact, TCR has essentially conceded that it did something wrong – it did not pay the required reuse fee. It is difficult to see how rewarding a company that breached its contract to pay an author could advance the Copyright Act's purposes. In light of its analysis of these factors, the district court did not abuse its discretion in declining fees, despite the rule that fees are routinely granted in copyright cases.

For these reasons, we affirm the decisions of the district court granting summary judgment on WHA's copyright infringement claims and denying TCR and Chiles's requests for attorney's fees.

AFFIRMED.

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON, INC.

vs.

METRIC HOLDING LTD., PARTNERSHIP, CHILES ARCHITECTS, INC. and TRAMMEL CROW RESIDENTIAL COMPANY, et al.,

Civil Action No. A-01 CV 591 JRN
(Consolidation A-02 CV 793 JRN)

[ENTERED: APRIL 30, 2003]

FINAL JUDGMENT

Before the Court is the above entitled cause of action. Based on the Court Orders entered on April 18, 2003, and the Stipulation of Dismissal Without Prejudice of Crow Counter-claimants' Counterclaims filed on April 30, 2003, the Court enters Final Judgment pursuant to Federal Rule of Civil Procedure 58.

IT IS ORDERED, ADJUDGED AND DECREED that this case is CLOSED and all pending motions are DENIED AS MOOT.

SIGNED AND ENTERED this the 30th day of April 2003.

/s/ James R. Nowlin
JAMES R. NOWLIN
CHIEF UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON, INC.

vs.

METRIC HOLDING LTD., PARTNERSHIP, CHILES ARCHITECTS, INC. and TRAMMEL CROW RESIDENTIAL COMPANY, et al.,

Civil Action No. A-01 CV 591 JRN
(Consolidation A-02 CV 793 JRN)

[ENTERED: APRIL 22, 2003]

ORDER

Before the Court is Plaintiff Womack+Hampton Architects, L.L.C.'s Motion for Reconsideration (Doc. No. 323), Crow Defendants' Response (Doc. No. 348), Defendants CAI and Chiles' Response (Doc. No. 358) and Plaintiff's Reply. After reviewing the arguments and applicable case law, the Court finds that its ruling on February 19, 2003, should not be disturbed.

THEREFORE IT IS ORDERED that Plaintiff Womack+Hampton Architects, L.L.C.'s Motion for Reconsideration is DENIED.

SIGNED and ENTERED this the 22nd day of April 2003.

/s/ James R. Nowlin
JAMES R. NOWLIN
CHIEF UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON, INC.

vs.

METRIC HOLDINGS LTD., PARTNERSHIP, CHILES ARCHITECTS, INC. and TRAMMEL CROW RESIDENTIAL COMPANY, et al.,

Civil Action No. A-01 CV 591 JRN
(Consolidation A-02 CV 793 JRN)

[ENTERED: APRIL 18, 2003]

ORDER

Before the Court is the above-entitled cause of action. This cause was referred to the United States Magistrate Judge for findings and recommendations pursuant to 28 U.S.C. §636(b) and Rule 1 of Appendix C of the Local Rules of the United States District Court for the Western District of Texas.

On March 20, 2003, Magistrate Judge Stephen Capelle filed an Report and Recommendation on Crow Defendants' Motion for Summary Judgment (Doc. No. 315); Defendants CAI and Chiles' Second Motion for Summary Judgment (Doc. No. 318); Plaintiff Womack+Hampton Architects, L.L.C.'s Response and Opposition to the Crow Defendants' Motion for Summary Judgment (Doc. No. 324); Defendant SDT Architects, Inc., Thomas Stovall and Jerry Daniels' Motion for Summary Judgment (Doc. No. 325); Plaintiff Womack+Hampton Architect, L.L.C.'s Response and Opposition to Defendants CAI and Chiles's Second Motion for Summary Judgment and Cross-Motion for Summary Judgment (Doc. No. 330); Reply of Crow

Defendants to Plaintiff's Response and Opposition to Motion for Summary Judgment (Doc. No. 347) and Plaintiff Womack+Hampton Architect, L.L.C.'s Response and Opposition to Defendants SDT Architects, Inc., Thomas Stovall and Jerry Daniels' Motion for Summary Judgment (Doc. No. 357).

Pursuant to 28 U.S.C. § 636(b) and Rule 72 of the Federal Rules of Civil Procedure, a party may serve and file specific, written objections to the proposed findings and recommendations of a magistrate judge within ten days after being served with a copy of the report and recommendation, and thereby secure a *de novo* review by the district court. A party's failure to timely file written objections to the proposed findings, conclusions, and recommendation bars that party, except upon grounds of plain error, from attacking on appeal the unobjected-to proposed factual findings and legal conclusions accepted by the district court. *Douglass v. United Services Auto Ass'n*, 79 F.3d 1415 (5th Cir. 1996) (en banc). Plaintiff timely filed objections to the Report and Recommendation.

This Court granted summary judgment in favor of the Crow Defendants based on the finding that the language of the Owner Architect Agreement expressly and unambiguously provided that Trammel Crow may use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites, if it properly compensated Womack+Hampton. The Court also found that Womack+Hampton's damages, if any, were limited by the express terms of the agreements.

Defendants argue that given the Court's previous ruling, Womack+Hampton's copyright infringement claims fail as a matter of law. Womack+Hampton maintains that Court's previous ruling is incorrect and that it is entitled to

its copyright infringement damages. Womack+Hampton asserts that the Chiles Defendants and SDT Defendants were not parties to the contract between Womack and the Crow Defendants and are therefore not subject to its terms.

In the report and recommendation the Magistrate determined, based on the Court's previous ruling regarding the "re-use" clause, that Womack+Hampton had granted a nonexclusive license to use copyrighted material, thus waiving the copyright owners right to sue the licensee for copyright infringement. The Magistrate concluded that given the Court's previous ruling and Womack+Hampton failure to produce any authority to support a reconsideration of the matter that Womack+Hampton's claims of copyright infringement clearly fail as to the Crow Defendants. This Court finds that the Magistrate's report is correct on this point and will follow the Magistrate's recommendation.

Womack+Hampton argues that even with the Court's interpretation, which Womack+Hampton maintains is incorrect, that the Owner Architect Agreement does not include either the Chiles Defendants or the SDT Defendants. The Magistrate found this argument unreasonable.

The "re-use" clause clearly states that Trammel Crow may "use copy or cause to have copied..." the drawings that are the subject of this lawsuit. The Magistrate found that terms of the "re-use" clause clearly contemplated the participation of others beyond the Crow Defendants. The Magistrate found that employing Womack+Hampton's interpretation would bar the Crow Defendants from employing a third party copy service to make the copies. Such an interpretation directly contradicts the terms of the "re-use" clause and is therefore unreasonable. This Court agrees. The Court finds that the Magistrate's report is

correct on this point and will follow the Magistrate's recommendation.

After a *de novo* review of the case, this Court finds the Report and Recommendation is correct and the findings are accepted and adopted herein.

THEREFORE IT IS ORDERED that the Motion for Summary Judgment of Trammel Crow Defendants, Defendants CAI and Chiles' Second Motion for Summary Judgment and Defendants SDT Architects, Inc., Thomas Stovall and Jerry Daniels' Motion for Summary Judgment are GRANTED.

IT IS FURTHER ORDERED that Plaintiff Womack+Hampton Architect, L.L.C.'s Cross-Motion for Summary Judgment against Defendants CAI and Chiles is DENIED.

SIGNED and ENTERED this the 18th day of April 2003.

/s/ James R. Nowlin
JAMES R. NOWLIN
CHIEF UNITED STATES DISTRICT COURT

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON, INC.

vs.

METRIC HOLDINGS LTD., PARTNERSHIP, CHILES ARCHITECTS, INC. and TRAMMELL CROW RESIDENTIAL COMPANY, et al.,

Civil Action No. A-01 CV 591 JRN
(Consolidation A-02 CV 793 JRN)

[ENTERED: FEBRUARY 19, 2003]

ORDER

Before the Court is the above-entitled cause of action. This cause was referred to the United States Magistrate Judge for findings and recommendations pursuant to 28 U.S.C. §636(b) and Rule 1 of Appendix C of the Local Rules of the United States District Court for the Western District of Texas.

On October 10,2002, Magistrate Judge Stephen Capelle filed an Report and Recommendation on Crow Defendants' Motion for Partial Summary Judgment on Issue of Damages (Clerk's Doc. No. 69), Plaintiff Womack+Hampton's Response and Opposition to Crow Defendants' Motion for Partial Summary Judgment on the Issue of Damages and Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement (Doc. No. 76); Reply to Plaintiffs Response (Doc. No. 88); and Crow Defendants' Response to Plaintiffs Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement (Doc. No. 94).

The parties notified the Court that a similar case was filed in the United States District Court for the Southern District of Texas, Houston Division. On December 3,2002, United States District Judge Kenneth M. Hoyt issues a Memorandum and Order transferring the action to the Western District. On January 17,2003, this Court issued an order consolidating the two cases (Doc. No. 250). On that same date, Judge Capelle issued an order requesting additional briefing on the above-mentioned motions in light of consolidation.

On January 24,2003, Magistrate Judge Capelle filed an Amended Report and Recommendation, which replaces in its entirety, the Report and Recommendation issued by this Court on October 10,2002. (Doc. No. 214). Because the contracts at issue in the second, consolidated case also include the same contractual re-use language, Judge Capelle's conclusions apply to the contracts at issue in the newly consolidated case as well.

Pursuant to 28 U.S.C. § 636(b) and Rule 72(b) of the Federal Rules of Civil Procedure, a party may serve and file specific, written objections to the proposed findings and recommendations of a magistrate judge within ten days after being served with a copy of the report and recommendation, and thereby secure a *de novo* review by the district court A party's failure to timely file written objections to the proposed findings, conclusions, and recommendation in a report and recommendation bars that party, except upon grounds of plain error, from attacking on appeal the unobjected-to proposed factual findings and legal conclusions accepted by the district court. *Douglass* v. *United Services Auto Ass'n*, 79 F.3d 1415 (5th Cir. 1996) (en banc).

In the Report and Recommendation the Magistrate reiterated the parties' contentions and Court's determinations. The Magistrate determined that the "re-use" clause of the subject agreements expressly and unambiguously provides that Trammel Crow may "use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites." emphasis added, if it properly compensated Womack+Hampton. The agreement specifically stated the amount of compensation per unit Trammel Crow was to pay Womack + Hampton if Trammel Crow utilized the "re-use" clause. Trammel Crow argued that because the agreement contemplated reuse of the plans and set a specific amount of compensation, the damages, if any, are limited by contract Womack + Hampton, relying on *S.O.S., Inc.* v. *Payday, Inc.*, 886 F. 2d 1081 (9th Cir. 1989), argued that Trammel Crow's actions exceeded the scope of the agreement therefore, Womack was entitled to damages for copyright infringement. The Magistrate rejected Womack+Hampton's argument.

After a *de novo* review of the case, this Court finds the Report and Recommendation is correct and should be adopted. Magistrate Judge Capelle correctly notes that the "re-use" clause in this case is much broader than the clause addressed in the *S.O.S.* case. In *S.O.S.*, the defendant was granted only the right to use the software at issue in the contract, not to copy it. Amended Report and Recommendation, p. 8. In the instant case, the "re-use" clause provides that Trammel Crow may "use, copy or caused to have copied.... for this or on subsequent phases or other sites." The "re-use" clause also details the amount of compensation Trammel Crow is to pay Womack + Hampton for any re-use. The Court agrees with the Magistrate's finding that the agreement allows for modifications of the drawings and specifications in order to use the plans at

"other sites." The agreement also specifically addresses the issue of compensation for any modifications. Therefore, any relief for alleged unauthorized use should be limited by the express language of the Agreement.

IT IS THEREFORE ORDERED that the Amended Report and Recommendation filed by Magistrate Judge Stephen Capelle on January 24, 2003, is hereby ACCEPTED and ADOPTED herein.

IT IS FURTHER ORDERED that the Crow Defendants' Motion for Partial Summary Judgment on the Issue of Damages is **GRANTED.** The amount of damages Plaintiff may seek to recover is limited by the terms of the underlying contract, specifically by the terms of the subject Owner Architect Agreements at issue in this case.

IT IS FURTHER ORDERED that Plaintiff's Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement is **DENIED.**

SIGNED and ENTERED this the 19th day of February 2003.

/s/ James R. Nowlin
JAMES R. NOWLIN
CHIEF UNITED STATES DISTRICT COURT

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 03-50549

[ENTERED: JULY 22, 2004]

WOMACK+HAMPTON ARCHITECTS, LLC

Plaintiff - Appellant

v.

METRIC HOLDINGS LIMITED PARTNERSHIP; CHILES ARCHITECTS, INC; TRAMMEL CROW RESIDENTIAL COMPANY; CHRIS WHEELER; TCR OPERATING COMPANY, INC; TCR METRIC, LP; SOUTH CENTRAL RS, INC; TCR SOUTH CENTRAL, INC; TCR SOUTH CENTRAL 1995, INC; TCR SOUTH CENTRAL DIVISION LP; TCR METRIC CONSTRUCTION LIMITED PARTNERSHIP; GARY CHILES; ROBERT BUZBEE; LEWIS BUNCH; KENNETH J VALACH; PERRY WILSON; J RONALD TERWILLIGER

Defendants - Appellees

WOMACK+HAMPTON ARCHITECTS, LLC

Plaintiff - Appellant

v.

TRAMMEL CROW RESIDENTIAL; TCR LOS RIOS LIMITED PARTNERSHIP COMPANY; TCR SOUTH CENTRAL 1995 INC; SDT ARCHITECTS INC; LEWIS BUNCH; KENNETH J VALACH; THOMAS STOVALL;

JOHN ZELEDON; TIM HOGAN; JERRY DANIELS; PERRY K WILSON;

Defendants - Appellees

CONS. W/ Case No. 03-50859

WOMACK+HAMPTON ARCHITECTS LLC

Plaintiff - Appellee

v.

METRIC HOLDINGS LIMITED PARTNERSHIP; CHILES ARCHITECTS; TRAMMEL CROW RESIDENTIAL CO; CHRIS WHEELER; TCR OPERATING COMPANY INC; TCR METRIC LP; SOUTH CENTRAL RS INC; TCR SOUTH CENTRAL INC; TCR SOUTH CENTRAL 1995 INC; TCR SOUTH CENTRAL DIVISION LP; TCR METRIC CONSTRUCTION LIMITED PARTNERSHIP; GARY CHILES; ROBERT BUZBEE; LEWIS BUNCH; KENNETH J VALACH; PERRY WILSON; J RONALD TERWILLIGER

Defendants - Appellants

WOMACK+HAMPTON ARCHITECTS, LLC

Plaintiff - Appellee

v.

TRAMMELL CROW RESIDENTIAL; ET AL

Defendants

TRAMMELL CROW RESIDENTIAL; TCR LOS RIOS LIMITED PARTNERSHIP COMPANY; TCR SOUTH CENTRAL 1995 INC; LEWIS BUNCH; KENNETH J VALACH; JOHN ZELEDON; TIM HOGAN; PERRY K WILSON

Defendants – Appellants

Appeal from the United States District Court for the Western District of Texas, Austin

ON PETITION FOR REHEARING

Before DAVIS, BENAVIDES, and PRADO, Circuit Judges.

PER CURIAM:

IT IS ORDERED that the petition for rehearing is DENIED.

ENTERED FOR THE COURT:

/s/ Edward C. Prado
United States Circuit Judge

REHG-2

TITLE 17. COPYRIGHTS
CHAPTER 1. SUBJECT MATTER AND SCOPE OF COPYRIGHT

17 USCS § 106 (2004)

§ 106. Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

(7) TITLE 17. COPYRIGHTS
CHAPTER 2. COPYRIGHT OWNERSHIP AND TRANSFER

17 USCS § 201 (2004)

§ 201. Ownership of copyright

(a) Initial Ownership.— Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.

(b) Works Made for Hire.— In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.

(c) Contributions to Collective Works.— Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.

(d) Transfer of Ownership.—

(1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.

(2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.

(e) Involuntary Transfer. — When an individual author's ownership of a copyright, or of any of the exclusive rights under a copyright, has not previously been transferred voluntarily by that individual author, no action by any governmental body or other official or organization purporting to seize, expropriate, transfer, or exercise rights of ownership with respect to the copyright, or any of the exclusive rights under a copyright, shall be given effect under this title, except as provided under title 11.

TITLE 17. COPYRIGHTS
CHAPTER 5. COPYRIGHT INFRINGEMENT AND REMEDIES

17 USCS § 501 (2004)

§ 501. Infringement of copyright

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 or of the author as provided in section 106A (a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be. For purposes of this chapter (other than section 506), any reference to copyright shall be deemed to include the rights conferred by section 106A (a). As used in this subsection, the term "anyone" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it. The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.

(c) For any secondary transmission by a cable system that embodies a performance or a display of a work which is actionable as an act of infringement under subsection (c) of section 111, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that television station.

(d) For any secondary transmission by a cable system that is actionable as an act of infringement pursuant to section 111 (c)(3), the following shall also have standing to sue:

(i) the primary transmitter whose transmission has been altered by the cable system; and

(ii) any broadcast station within whose local service area the secondary transmission occurs.

(e) With respect to any secondary transmission that is made by a satellite carrier of a performance or display of a work embodied in a primary transmission and is actionable as an act of infringement under section 119 (a)(5), a network station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that station.

(f)

(1) With respect to any secondary transmission that is made by a satellite carrier of a performance or display of a work embodied in a primary transmission and is actionable as an act of

infringement under section 122, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local market of that station.

(2) A television broadcast station may file a civil action against any satellite carrier that has refused to carry television broadcast signals, as required under section 122 (a)(2), to enforce that television broadcast station's rights under section 338(a) of the Communications Act of 1934.

TITLE 28. JUDICIARY AND JUDICIAL PROCEDURE
PART IV. JURISDICTION AND VENUE
CHAPTER 81. SUPREME COURT

28 USCS § 1254 (2004)

§ 1254. Courts of appeals; certiorari; certified questions

Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree;

(2) By certification at any time by a court of appeals of any question of law in any civil or criminal case as to which instructions are desired, and upon such certification the Supreme Court may give binding instructions or require the entire record to be sent up for decision of the entire matter in controversy.

NO. 03-50549

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

C.A. NO. A 01CA 59 1 JN
(Consolidated No. A-02 CV 793 JRN)

WOMACK+HAMPTON ARCHITECTS, L.L.C.

Plaintiff – Appellant

v.

METRIC HOLDINGS LTD., et al.

Defendants – Appellees

Consolidated with Case No. 03-50859

WOMACK+HAMPTON ARCHITECTS, L.L.C.

Plaintiff – Appellee

v.

METRIC HOLDINGS LTD., et al.

Defendants – Appellants

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS IN
C.A. NO. A 01CA 59 1 JN

(Consolidated No. A-02 CV 793 JRN)
JUDGE JAMES R. NOWLIN

PETITION FOR PANEL REHEARING

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I. PETITION FOR PANEL REHEARING

WOMACK+HAMPTON ARCHITECTS, L.L.C. ("WHA") challenged the ruling of the District Court in granting summary judgment for TCR and denying summary judgment for WHA that TCR's use of architects other than WHA to re-use and modify WHA's copyrighted architectural works did not exceed the scope of any license conveyed to TCR by WHA under several Owner/Architect Agreements.

WHA petitions this Court for panel rehearing on the issue of whether the District Court erred in the entry of summary judgment that a cause of action for copyright infringement will not lie even where the express terms of the operative copyright licenses were admittedly exceeded.

In its opinion, the Court recognized that the express terms of the Owner/Architect Agreements between WHA and Defendants METRIC HOLDINGS LTD., et. al ("TCR") were exceeded when TCR used architects, other than WHA, to re-use and modify plans for two apartment complexes in Austin and Dallas, Texas. The Court nevertheless held that TCR's actions did not give rise to an action for copyright infringement based on its conclusion of what the parties "**anticipated**" might occur, even where these terms of "**anticipation**" were nowhere present in the operative copyright license and, in fact, were contradicted by the express wording of these licenses which identified WHA as the only "Architect."

The Court's opinion is at odds with the United States Supreme Court's holding in Henry v. A.B. Dick Co., 224 U.S. 1 (1912) as well as decisions arising out of the Second and Ninth Circuits and the Court of Federal Claims. These courts have held that an evaluation of the scope of a copyright license is confined to its express terms and that

subject matter not expressly conveyed will be construed as remaining in the copyright holder.

This Court's opinion serves to cast uncertainty in the evaluation of the scope of that which is conveyed under the copyright laws.

II. STATEMENT OF FACTS

1. WHA performed architectural services for TCR for a variety of projects (A-Vol. 4, p. 818), each governed by a separate Owner/Architect Agreement. (A-Vol. 4, pp. 824-825; 834; Vol. 5, pp. 991-1058). These Agreements[1] clearly provided that: (1) the architectural works prepared by WHA were prepared solely for use on that project; and (2) WHA retained all rights in the copyrights in such works:

> Section IX(A): The Drawings, Specifications, and other documents prepared by the Architect for this project are instruments of the Architect's service for use solely with respect to this project and the Architect shall be deemed the author of these documents and shall retain all common law, statutory, and other reserved right, including copyright. The Owner shall be permitted to retain copies including reproducible copies of the Architect's Drawings, Specifications, and other documents for information and reference in connection with the Owner's use and occupancy of the Project. The Owner's rights to the Architect's Drawings, Specifications, and other Project related documents shall also extend to the Owner's

---

[1] The operative portions of these contracts, save the provision for a higher re-use fee for the CAMBRIA project, are substantially identical. (See A-Vol. 5, p. 976).

> Lender and Owner's equity partner, (as well as the partnership formed by Owner and such equity partner), and Architect shall, upon request, execute documents to confirm the right of such parties to have and use the Architect's Drawings, Specifications and other applicable project documents to the same extent as the Owner. (A-Vol. 5, p. 1001) (emphasis added).

2. At Section IX(B), the Owner/Architect Agreements provided TCR an option to re-use WHA's architectural plans for other projects. However, Section IX (B) expressly set forth that, in order to exercise this option, TCR was first required to pay WHA an option fee:

> Section IX(B): The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of $150.00 per unit (base architectural fee), plus engineering services, plus contingent additional hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites. (A-Vol. 5, p. 1001) (emphasis added).

3. By its express terms, Section IX(B) provided that in the event that WHA and TCR agreed upon a re-use license, TCR would pay "the Architects" a base architectural fee in addition to fees for "engineering services" plus "contingent additional hourly charges and expenses." (A-Vol. 5, p. 1001). By the terms of the Owner/Architect Agreement, the "Architect" is WHA. (A-Vol. 5, p. 991). There is no provision in any of the Owner/Architect

Agreements which allows re-use of WHA's works (1) by anyone other than WHA; and (2) "without proper compensation" to WHA.

4. TCR subsequently retained Chiles and SDT to re-use and modify WHA's copyrighted plans in order to build two apartment projects, one in Austin and one in Plano. (A-Vol. 4, pp. 826, 835-836; A-Vol. 29, p. 6719). When WHA discovered TCR's intention to re-use WHA's plans, WHA made demand for the payment of the prerequisite re-use fee contained in the Owner/Architect Agreements and informed TCR that re-use of WHA's plans was unauthorized and would constitute copyright infringement.

5. When no payment was received for the re-use, WHA filed suit and alleged infringement and induced infringement of WHA's copyrighted architectural works for the creation of copies and derivative works of WHA's copyrighted works and construction of the two apartment complexes incorporating WHA's copyrighted works. (A-Vol. 23, pp. 5395-5417; A-Vol. 23, pp. 5395-5417).

6. TCR admitted knowing a separate agreement was needed for Chiles' re-use of WHA's copyrighted plans and that no such separate agreement was ever obtained. (A-Vol. 17, p. 4228; Vol. 33, p. 7722; Vol. 36 p. 8432).

III. GROUNDS FOR REHEARING

A. The Express Terms Of The Agreements Did Not Allow Re-Use Or Modification By Architects Other Than WHA

The District Court erred in finding that TCR's use of Chiles and SDT to re-use and modify WHA's copyrighted works did not give rise to an action for copyright infringement for which WHA could recover copyright damages.

The District Court relied upon Section IX(B) of the Owner/Architect Agreements as authority for TCR's re-use and modification of WHA's copyrighted works. Section IX(B), however, is clear that any re-use or modification of WHA's works could only be performed by "the Architect" since this same Section provides that "the Architect" receive, in addition to the re-use fee, fees for "engineering services," "hourly charges" and "expenses."

Plainly, TCR would not be paying "the Architect" for these additional fees if anyone but "the Architect" was allowed to re-use and modify WHA's plans. Under the express terms of the Owner/Architect Agreements, the sole party authorized to copy, re-use and modify WHA's copyrighted plans, upon payment of the re-use fee, was "the Architect.[2]

During oral argument, this Court recognized the inconsistency of TCR's attempted construction of Section IX(B) and inquired whether TCR's proposed construction, in order to reconcile the plain, express language of Section IX(B), required the addition of language in the Owner/Architect Agreements to allow TCR to use architects other than WHA. TCR was compelled to admit that its proposed construction—and thus its argument on appeal—did require the Court to read into the Agreement optional language nowhere present in the operative agreements that TCR could pay WHA "if it chose to use WHA."

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[2] Nor does the construction promoted by WHA result in a finding that the re-use clause is "meaningless." (Op. at 9). The "re-use right" referenced by TCR arises only if Section IX refers to a re-use option. By this argument, TCR plainly (though inconsistently) recognizes that Section IX(B) solely provided an option for re-use of the subject plans.

The Court's opinion incorporates the extraneous language suggested by TCR based upon the rationale that such added language reflects what the parties may have "**anticipated**." (Op. at 10, 13). There is no language in the Owner/Architect Agreements, however, which supports this construction.

B. A Copyright License Must Be Strictly Construed According To The Express Terms Of The Conveyance

The Final Judgment of the District Court was premised on the existence of an express license that purportedly granted TCR the right to re-use and modify WHA's copyrighted works using other architects. The construction of this re-use license must therefore be reviewed under the constraints imposed under the Copyright Statute. Cohen v. Paramount Pictures Corp., 845 F.2d 851, 854 (9th Cir. 1988) (a copyright license must be construed in accordance with the purposes underlying federal copyright law). The Copyright Act provides that "anyone who violates one of the exclusive rights of the copyright owner . . . is an infringer of the copyright." 17 U.S.C. § 501(a). The "exclusive rights" are defined and enumerated in 17 U.S.C. § 106. The copyright owner may transfer any or all of these rights. 17 U.S.C. §§ 106, 201(d)(2); Vault Corp. v. Quaid Software, Ltd., 847 F.2d 255, 258 (5th Cir. 1988).

Federal copyright law mandates that any conveyance of rights in copyrightable subject matter be strictly construed to preserve rights in the copyright holder. S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1088 (9th Cir. 1989). In an opinion addressing this issue in the patent context, the Supreme Court has held that any "use [not licensed] is necessarily reserved to the [licensor]." Henry, 224 U.S. at 24.

It is well established that a conveyance of a copyrighted work must be construed according to its literal terms, with all subject matter not expressly conveyed reserved in the copyright holder. See, S.O.S., Inc., 886 F.2d at 1088 ("copyright licenses are assumed to prohibit any use not authorized"); Cohen, 845 F.2d at 853-54 (those rights enumerated under 17 U.S.C. § 106, unless specifically conveyed, remain in the grantor); Inslaw, Inc. v. U.S., 40 Fed. Cl. 843, 854-55 (Fed. Cl. 1998) (the terms of a copyright conveyance should be construed to exclude that not specifically conveyed).

C. Any Alleged Re-Use License Did Not Grant TCR The Right To Retain Chiles Or SDT To Copy, Re-Use Or Modify WHA's Copyrighted Plans

The District Court held that Section IX(B) allowed TCR to retain Chiles and SDT to re-use and modify WHA's copyrighted works for other projects. In doing so, the District Court implied a conveyance of rights to TCR that was not expressed in the operative Owner/Architect Agreements. Under the construction adopted by the District Court, TCR was given a license to retain Chiles and SDT to copy, re-use and modify WHA's copyrighted plans. The Owner/Architect Agreements on which the District Court based its holding, however, do not provide a re-use license of a scope that would allow TCR to use architects other than WHA to copy, re-use or modify WHA's copyrighted plans.

The District Court's holding was plainly error. Where, as here, rights in copyrighted subject matter are not expressly granted, the license must be construed as preserving those non-granted rights in the copyright holder. Henry, 224 U.S. at 24; Beckman Inst., Inc. v. Cincom Systems, Inc., 2000 U.S. App. Lexis 18166, *5 (9th Cir. 2000)("We have rejected the argument that license agreements permit that which they do not prohibit."); Inslaw, Inc., 40 Fed. Cl. at 854-55 (the terms of a copyright

conveyance should be construed to exclude that not specifically conveyed). See also, Cohen, 845 F.2d at 854; S.O.S., Inc., 886 F.2d at 1088; Allegro Corp. v. Only New Age Music, Inc., 2002 U.S. Dist. Lexis 27449, *22-23 (D. Or. 2002). Hence, the District Court's holding that the Owner/Architect Agreements gave TCR a right to retain Chiles and SDT to re-use, copy and modify WHA's copyrighted plans is improper as a matter of law.

The District Court adopted the findings of the Magistrate Judge who found that the re-use clause of the Owner/Architect Agreement was broader than the clause presented in S.O.S., Inc., supra. (A-Vol. 27, pp. 6459-6462). While the Magistrate Judge recognized the absence of any language of conveyance in the Owner/Architect Agreements that allowed TCR, or those retained by TCR, to re-use and modify WHA's plans, the Magistrate Judge held that the re-use clause of Section IX(B) "necessarily contemplates modifications of the drawings and specifications (by architects other than WHA) to adapt the plans to other sites." (A-Vol. 27, pp. 6459-6462). This opinion was adopted by this Court in its opinion affirming the judgment of the District Court when it held that "the re-use provision **anticipates** copyright use, specifically use of the copyrighted plans for other projects" (Opp at 10)(emphasis added) and "TCR's re-use appears to be consistent with that **anticipated** under the contract." (Op. at 13)(emphasis added).

This holding is erroneous as a matter of law since the District Court was not free to insert terms of conveyance where none were agreed to by the parties nor evidenced in the operative documents, regardless of what is believed to have been "contemplated" or "**anticipated**." Gilliam v. American Broadcasting Cos., 538 F.2d 14, 23 (2nd Cir. 1976).

The Second Circuit's decision in Gilliam addresses the requirement that a copyright license must be construed according to its literal and express terms. In Gilliam, ABC acquired the right to air excerpts from several Monty Python programs. The instruments conveying the license for ABC to use these programs did not expressly allow ABC to edit these programs. Nevertheless, ABC proposed to broadcast edited versions of these excerpts as a derivative work. Monty Python sued to enjoin the proposed airing of this derivative work as beyond the scope of the license. The Second Circuit found that ABC's creation of a derivative work exceeded the scope of the license and thus constituted an infringement of the copyrights in the original work. Gilliam, 538 F.2d at 21.

Like the reasoning applied by this Court in affirming the decision of the District Court in ignoring the absence of terms of express conveyance, ABC contended that while the underlying copyright license did not expressly allow modification of the copyrighted work, the Court should read the license to take into account what the parties "**anticipated**" at the execution of the Agreement. The Second Circuit found these arguments unpersuasive:

> Finally, ABC contends that appellants must have expected that deletions would be made in the recordings to conform them for use on commercial television in the United States. ABC argues that licensing in the United States implicitly grants a license to insert commercials in a program and to remove offensive or obscene material prior to the broadcast. According to the network, appellants should have **anticipated** that most of the excised material contained scatological references inappropriate for American television and that these scenes would be replaced with commercials, which

> presumably are more palatable to the American public.
>
> * * *
>
> Several of the deletions made for ABC, such as elimination of the words "hell" and "damn," seem inexplicable given today's standard television fare. If, however, ABC honestly determined that the programs were obscene in substantial part, it could have decided not to broadcast the specials at all, or it could have attempted to reconcile its differences with appellants. The network could not, however, free from a claim of infringement, broadcast in a substantially altered form a program incorporating the script over which the group had retained control.

Gilliam, 538 F.2d at 23 (emphasis added); see also, Inslaw, Inc., 40 Fed. Cl. at 854-55 (a transfer of rights under a copyright will not be implied absent express language of conveyance).

By its express terms, the Owner/Architect Agreements allowed TCR to exercise an option to retain "the Architect" to copy, re-use and modify WHA's copyrighted plans. These same Agreements define "the Architect" as WHA—not Chiles or SDT. This Court's opinion, under the guise of divining what the parties may have "**anticipated**," necessarily reads terms into the Owner/Architect Agreements not expressly set forth and agreed to between the parties. The Court's opinion runs squarely against the Second Circuit's opinion in Gilliam and in fact relies on the identical rationale presented by ABC—

what the parties may have "**anticipated.**" The Court's construction is legally untenable. Gilliam, 538 F.2d at 23.[3]

The Court's construction frustrates the purposes of the Copyright Act since it usurps those rights specifically identified under 17 U.S.C. § 106. This Court is therefore constrained to construe the Owner/Architect Agreements in a manner consistent with the Copyright Act to preserve those rights not licensed by the licensor—here WHA. Fantastic Fakes, Inc. v. Pickwick Int'l, Inc., 661 F.2d 479, 482-83 (5th Cir. 1981).

Like ABC in Gilliam, TCR had an option: to comply with the terms of the Owner/Architect Agreements and retain WHA to re-use and modify the plans for THE WINDFERN, THE RESERVE AT CHEYENNE, THE RESERVE AT CHARLES PLACE, CAMBRIA PLACE and ARBROOK PARK projects or negotiate with WHA over the scope of the copyright license to allow TCR to use Chiles and SDT to make the modifications. TCR's failure to choose either of these options and instead retain Chiles and SDT to modify WHA's plans without permission or license to do so gives rise to liability under the Copyright Statute. See, Quintanilla v. Texas Television, Inc., 139 F.3d 494, 500 (5th Cir. 1998); Sun Microsystems, Inc. v. Microsoft Corp., 188 F.3d 1115, 1121 (9th Cir. 1999); S.O.S. Inc., 886 F.2d at 1087; Gilliam, 538 F.2d at 20-21; Inslaw, Inc., 40 Fed. Cl. at 854-55.

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[3] The Court cited Heritage Resources Inc. v. NationsBank, 939 S.W.2d 118 (Tex. 1996) and Sun Oil Co. v. Madeley, 626 S.W.2d 726 (Tex. 1981) for the proposition that Texas courts enforce unambiguous contracts as written. (Op. at 7). While recognizing that the contracts at issue were unambiguous, the Court nevertheless looked outside the express terms of the Owner/Architect Agreements. As such, the Court's construction is also at odds with Texas state rules of contract construction.

D. **The Court's Opinion Creates An Irreconcilable Conflict With Precedent From The Unites States Supreme Court and Sister Circuits**

The Court's opinion is in direct and irreconcilable conflict with the decision of the United States Supreme Court in Henry v. A.B. Dick Co., which held that, in the patent context, any "use [not licensed] is necessarily reserved to the [licensor]." 224 U.S. at 24. Decisions arising in the patent context are given great deference in interpreting federal copyright law. The Supreme Court has held that where precedent in copyright cases is lacking, it is appropriate to look for guidance to patent law "because of the historic kinship between patent law and copyright law." Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 439 (1984); Harris v. Emus Records Corp., 734 F.2d 1329, 1333 (9th Cir. 1984).

The Court's opinion is further in conflict with decisions arising out of the Ninth Circuit in S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989) and Cohen v. Paramount Pictures Corp., 845 F.2d 851 (9th Cir. 1988), the Second Circuit's decision in Gilliam v. American Broadcasting Cos., 538 F.2d 14 (2nd Cir. 1976) and the decision of the Court of Federal Claims in Inslaw, Inc. v. U.S., 40 Fed. Cl. 843 (Fed. Cl. 1998). Each of these sister courts have held that a copyright conveyance must be construed in accordance with the terms of the express conveyance, with all subject matter not expressly conveyed retained in the copyright holder.

IV. CONCLUSION

For all of the foregoing reasons, WHA respectfully requests that the Court: (1) vacate its prior opinion affirming the decision of the District Court; (2) hold that the District Court erred in granting Defendants' Motion for Summary Judgment regarding damages and denying WHA's Motion for Summary Judgment regarding damages; and (3) remand the case to the District Court for further proceedings consistent with WHA's copyright action.

Respectfully submitted,

/s/ Thomas W. Sankey

Dated: July 2, 2004

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CERTIFICATE OF SERVICE AND FILING

I hereby certify that on this 2nd day of July, 2004, two (2) bound copies of the Petition for Panel Rehearing were served via Federal Express to each of the following:

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I also certify that on this 2nd day of July, 2004, the original and three (3) bound, paper copies of the Petition for Panel Rehearing were filed at the Office of the Clerk, United States Court of Appeals for the Fifth Circuit.

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CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rules of Appellate Procedure 32(a)(7)(C) and 40, the undersigned certifies that this brief complies with the type-volume limitation of Federal Rules of Appellate Procedure 32(a)(7)(B)(i) and 40.

1. Exclusive of the exempted portions of the brief, as provided in Federal Rule of Appellate Procedure 32(a)(7)(B)(iii), this brief includes 15 pages containing 319 lines of text.

2. This brief has been prepared in proportionally spaced typeface Microsoft Word 2000 in 14 point Times New Roman font. As permitted by Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned has relied upon the line count of this word-processing system in preparing this certificate.

Dated: July 2, 2004

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NO. 03-50549

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

C.A. NO. A 01CA 59 1 JN
(Consolidated No. A-02 CV 793 JRN)

WOMACK+HAMPTON ARCHITECTS, L.L.C.

Plaintiff – Appellant

v.

METRIC HOLDINGS LTD., et al.

Defendants – Appellees

Consolidated with Case No. 03-50859

WOMACK+HAMPTON ARCHITECTS, L.L.C.

Plaintiff – Appellee

v.

METRIC HOLDINGS LTD., et al.

Defendants – Appellants

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS IN
C.A. NO. A 01CA 59 1 JN

(Consolidated No. A-02 CV 793 JRN)
JUDGE JAMES R. NOWLIN

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CERTIFICATE OF INTERESTED PERSONS

Pursuant to Fifth Circuit Rule 28.2.1, Counsel for the appellant, Womack+Hampton Architects, L.L.C., certifies the following:

1. The full name of every party or amicus represented by me is:

   Womack+Hampton Architects, L.L.C.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

   Womack+Hampton Architects, L.L.C.

3. The parent companies, subsidiaries (except wholly owned subsidiaries), and affiliates that have issued shares to the public, of the party or amicus curiae represented by me are:

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STATEMENT REGARDING ORAL ARGUMENT

Appellant, Womack+Hampton Architects, L.L.C., respectfully requests oral argument pursuant to Fed. R. App. P., Rule 34(a)(1) and Fifth Circuit Rule 28.2.4.

This appeal concerns the issue of whether a license to re-use copyrighted works was transferred under operative agreements between the parties, and whether use falling outside the express scope of that license gives rise to an action for copyright infringement.

Oral discussion of the facts and the applicable precedent would benefit the Court.

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STATEMENT OF JURISDICTION

Counsel for Plaintiff-Appellant, Womack+Hampton Architects, L.L.C. (hereinafter "WHA"), submits the following statement pursuant to Fed. R. App. P. 28(a)(4).

The District Court's jurisdiction over this action for copyright infringement filed by WHA was based on 28 U.S.C. §1338(a).

This Court has jurisdiction to hear the appeal filed by WHA under 28 U.S.C. § 1291.

WHA timely filed its appeal under Fed. R. App. 4(a)(1)(A) from a final judgment of the District Court on all of WHA's claims, which final judgment was entered on April 30, 2003.

STATEMENT OF THE ISSUES ON APPEAL

1. Whether Defendants' re-use of WHA's copyrighted works exceeded the scope of any re-use license granted under the Owner/Architect Agreements between WHA and Trammel Crow Residential Defendants (hereinafter "TCR").

2. Whether Defendants' modification of WHA's copyrighted works exceeded the scope of any re-use license granted under the Owner/Architect Agreements between WHA and TCR.

3. Whether the payment of the re-use fee set forth in the Owner/Architect Agreements between WHA and TCR was a condition precedent to any right to re-use, copy or modify WHA's copyrighted plans for architectural works for other projects.

STATEMENT OF THE CASE

This is an action for copyright infringement brought by Womack+Hampton Architects, L.L.C. against Metric Holdings Ltd., Partnership, Trammell Crow Residential Company, TCR Operating Company, Inc., TCR Metric, L.P., South Central RS, Inc., TCR South Central, Inc., TCR South Central 1995, Inc., TCR South Central Division L.P., TCR Metric Construction Ltd. Partnership, Robert Buzbee, Lewis Bunch, Kenneth J. Valach, Perry Wilson, Chris Wheeler and J. Ronald Terwilliger (hereinafter collectively "TCR") and Gary Chiles and Chiles Architects, Inc. (hereinafter collectively "Chiles") for infringement of WHA's copyrights in architectural works for projects designated THE WINDFERN, THE RESERVE AT CHEYENNE, THE RESERVE AT CHARLES PLACE and THE CAMBRIA PLACE.

As consolidated, this is also an action for copyright infringement brought by WHA against Trammell Crow Residential, Trammell Crow Residential, Company; TCR South Central 1995, Inc., TCR Los Rios Limited Partnership, Robert Buzbee, Lewis Bunch, John Zeledon, Tim Hogan (again collectively "TCR"), and SDT Architects, Inc., Thomas Stovall, and Jerry Daniels (hereinafter collectively "SDT") for infringement of WHA's copyrights in architectural works for a project designated ARBROOK PARK.

In this appeal, WHA challenges the ruling of the District Court in granting summary judgment for Defendants and denying summary judgment for Plaintiff that Defendants' re-use of WHA's copyrights in architectural works did not exceed the scope of any license conveyed to TCR by WHA under the Owner/Architect Agreements.

WHA further challenges the ruling of the District Court in granting summary judgment for Defendants and denying summary judgment for Plaintiff that Defendants' modification of WHA's copyrights in architectural works did not exceed the scope of any license conveyed to TCR by WHA under the Owner/Architect Agreements.

WHA also challenges the ruling of the District Court in granting summary judgment for Defendants and denying summary judgment for Plaintiff that the Owner/Architect Agreements conveyed a license to TCR to re-use, copy and have copied WHA's copyrighted architectural works for THE WINDFERN, THE RESERVE AT CHEYENNE, THE RESERVE AT CHARLES PLACE, THE CAMBRIA PLACE and ARBROOK PARK for other projects, absent payment of the re-use license fee prescribed in such agreements.

STATEMENT OF FACTS

A. The Parties

1. WHA is an architectural firm located in Dallas, Texas. (A-Vol. 5, p. 1143). WHA has designed multi-family (apartment) and commercial structures for clients throughout the United States. (A-Vol. 5, p. 1143).

2. Prior to the events giving rise to the underlying litigation, WHA performed architectural services for TCR for a variety of projects. (A-Vol. 4, p. 818). Examples of such prior services include architectural services for the creation of plans for the five projects at issue in this appeal: THE WINDFERN, THE RESERVE AT CHEYENNE, THE RESERVE AT CHARLES PLACE, THE CAMBRIA PLACE and ARBROOK PARK.

3. WHA has made application for and received registrations from the United States Copyright Office for various aspects of each of THE WINDFERN, THE RESERVE AT CHEYENNE, THE RESERVE AT CHARLES PLACE, THE CAMBRIA PLACE and ARBROOK PARK projects, including, inter alia, floorplan and elevation designs. These registrations are as follows:

Cambria Place - Leasing Center, Registration No. VA 1-159-410
Reserve at Cheyenne - Building 2, Registration No. VA 1-131-226
Reserve at Charles Place, Registration No. VA 1-159-409
Windfern Building 1, Registration No. VA 1-159-408
Reserve at Cheyenne - Building 1, Registration No. VA 1-131-228
Windfern - Building II, Registration No. VA 1-159-407
Windfern Building 2, Registration Nos. VA 1-146-597 and VA 1-159-406
Reserve at Cheyenne - Building 2, Registration No. VA 1-131-227
Reserve at Charles Place, Registration No. VA 1-148-848
Arbrook Park - Leasing Center, Registration No. VA 1-159-411
Arbrook Park - Building I, Registration No. VA 1-131-230
Arbrook Park-Building II, Registration Nos. VA 1-144-419 and VA1-151-013
Arbrook Park - Building III, Registration No. VA 1-155-772
Arbrook Park - Building I, Registration No. VA 1-131-229
Arbrook Park - Building II, Registration No. VA 1-151-012

Arbrook Park - Building III, Registration No. VA 1-155-773.

(A-Vol. 23, pp. 5418-5461).[1]

4. One or more TCR entities named in the underlying litigation retained Chiles and SDT to re-use and modify WHA's copyrighted plans. (A-Vol. 4, pp. 826 & 835).[2]

5. Chiles has performed architectural services for TCR, including architectural services performed in connection with an apartment project in Austin designated "The NorthBend". (A-Vol. 4, p. 836).

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[1] WHA also registered the following works: Reserve at Cheyenne - Building 1, Registration No. VA 1-155-874, Cambria Place, Registration No. VA 1-155-875, Windfern - Building 1, Registration No. VA 1-155-873, and Arbrook Park - Leasing Center, Registration No. VA-1-168-983. These registrations, however, were not part of the record on appeal.

[2] As referenced herein, "TCR" includes a number of interrelated companies and employees which work for one or more of these companies. The TCR companies named defendants in the underlying litigation included Metric Holdings Ltd., Partnership; Trammell Crow Residential Company; TCR Operating Company, Inc.; TCR Metric, L.P.; South Central RS, Inc.; TCR South Central, Inc.; TCR South Central 1995, Inc.; TCR South Central Division L.P.; TCR Metric Construction Ltd. Partnership; TCR Los Rios Limited Partnership. The TCR employees named in the underlying litigation include Robert Buzbee; Lewis Bunch; Kenneth J. Valach; Perry Wilson; Chris Wheeler; and J. Ronald Terwilliger, John Zeledon and Tim Hogan.

6. SDT Architects is an architectural firm located in Houston, Texas. (A-Vol. 23, pp. 5395-5417). SDT has also provided architectural services for TCR, including services performed in connection with a project in Plano designated "Los Rios". (A-Vol. 29, p. 6719).

B. The Owner/Architect Agreements

1. In or about 1996-1998, TCR commissioned WHA to prepare architectural drawings and to render architectural services in connection with five projects designated: THE WINDFERN, THE RESERVE AT CHEYENNE, THE CAMBRIA PLACE, THE RESERVE AT CHARLES PLACE and ARBROOK PARK. (A-Vol. 4, pp. 824-825). WHA provided architectural services to TCR for each of these projects under separate "Owner/Architect Agreements". (A-Vol. 4, pp. 824-825 & 834). These Agreements, identical in all respects with respect to the issues raised in the Final Judgment,[3] clearly and unambiguously provided that: (1) the architectural works prepared by WHA were prepared solely for use on that project; and (2) WHA retained all rights in the copyrights in such works:

> A. The Drawings, Specifications, and other documents prepared by the Architect for this project are instruments of the Architect's service for use solely with respect to this project and the Architect shall be deemed the author of these documents and shall retain all common law,

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[3] A separate contract was executed for each project. (See A-Vol. 5, pp. 991-1058). However, the operative portions of these contracts, save the provision for a higher re-use fee for the CAMBRIA project, are substantially identical. (See A-Vol. 5, p. 976).

> statutory, and other reserved right, including copyright. The Owner shall be permitted to retain copies including reproducible copies of the Architect's Drawings, Specifications, and other documents for information and reference in connection with the Owner's use and occupancy of the Project. The Owner's rights to the Architect's Drawings, Specifications, and other Project related documents shall also extend to the Owner's Lender and Owner's equity partner, (as well as the partnership formed by Owner and such equity partner), and Architect shall, upon request, execute documents to confirm the right of such parties to have and use the Architect's Drawings, Specifications and other applicable project documents to the same extent as the Owner.

(A-Vol. 5, p. 1001) (emphasis added).

2. At Section IX(B), the Owner/Architect Agreements provided TCR an option to re-use WHA's architectural plans for other projects. However, Section IX (B) expressly set forth that, in order to exercise this option, TCR was first required to pay WHA an option fee:

> B. The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of

> $150.00 per unit (base architectural fee), plus engineering services, plus contingent additional hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites.

(A-Vol. 5, p. 1001) (emphasis added).

3. By its express terms, Section IX(B) provided that in the event that WHA and TCR agreed upon a re-use license, TCR would pay "the Architects" a base architectural fee in addition to fees for "engineering services", plus "contingent additional hourly charges and expenses". (A-Vol. 5, p. 1001). By the terms of the Owner-Architect Agreement, the "Architect" is WHA. (A-Vol. 5, p. 991).

4. There is no provision in any of the Owner/Architect Agreements which allows re-use of WHA's works (1) by anyone other than WHA; and (2) "without proper compensation" to WHA.

5. When WHA discovered Defendants' intention to re-use WHA's plans, WHA made demand for the payment of the prerequisite re-use fee contained in the Owner/Architect Agreements. (A-Vol. 4, pp. 826-827 & 835; Vol. 5, pp. 1147-1148 & 1150-1151). WHA further informed TCR that re-use of WHA's plans was unauthorized and would constitute copyright infringement:

> As you know, Chiles Architects, Inc. has prepared, without our knowledge, Construction Documents for Trammell Crow Residential utilizing plans which are copyrighted property of Womack+Hampton Architects. In the past, on another

> development in Austin, an agreement was reached between Womack+Hampton Architects, Trammell Crow Residential and Chiles Architects allowing him to utilize our designs on that development for a Use Fee which is common in this industry. Unfortunately, no such agreement was requested nor exists for the use of our Windfern designs.

(A-Vol. 5, pp. 1150-1151, see also pp. 1147-1148, 1158) (emphasis added).

6. TCR admittedly never paid a re-use fee for either the "Reserve at NorthBend" or "Los Rios" projects. (A- Vol. 4, p. 820; Vol. 5, p. 1160; Vol. 27, pp. 6459-6462).

C. TCR Re-Used And Modified And Induced Re-Use And Modification Of WHA's Copyrighted Plans By Chiles

1. TCR commissioned Chiles to re-use, copy and modify WHA's copyrighted works for architectural plans for THE WINDFERN, THE RESERVE AT CHEYENNE, THE CAMBRIA PLACE and THE RESERVE AT CHARLES PLACE. (A-Vol. 4 pp. 826 & 835).

2. Chiles admitted that it re-used, copied and modified schematics for the WINDFERN and CHEYENNE in creating the architectural plans for "The NorthBend" project. (A- Vol. 15, pp. 3625-3628; Vol. 16, pp. 3762 & 3764). Chiles also admitted that it copied, re-used and modified these schematics for WHA's works in preparing elevation drawings for "The NorthBend". (A-Vol. 15, pp. 3625-3628). Chiles further admitted that TCR admitted that it built "The NorthBend" complex using

Chiles' re-use and modification of WHA's copyrighted plans for THE WINDFERN, THE RESERVE AT CHEYENNE, THE CAMBRIA PLACE and THE RESERVE AT CHARLES PLACE. (A- Vol. 4, pp. 819-821 & 827-828).

D. TCR Re-Used And Modified And Induced Re-Use And Modification Of WHA's Copyrighted Plans By SDT

1. TCR commissioned SDT to re-use, copy and modify Plaintiff's copyrighted works for architectural plans for the ARBROOK PARK. (A-Vol. 29, p. 6719). TCR hired SDT to create building plans and construction drawings for the "Los Rios" apartment complex which was built in Plano, Texas. (A-Vol. 29, p. 6719).

2. SDT admitted that it re-used, copied and modified schematics for the ARBROOK PARK in creating the architectural plans for the "Los Rios" project. (A-Vol. 29, p. 6719).

3. SDT is not in privity of contract with TCR under any of the Owner/Architect Agreements. (A-Vol. 29, p. 6720).

E. Course Of Proceedings Below

1. WHA brought this action for copyright infringement under the Architectural Works Copyright Protection Act ("AWCPA"). (A-Vol. 23, pp. 5395-5417).

2. WHA alleged that TCR infringed and induced infringement of WHA's copyrights in architectural works for projects designated THE WINDFERN, THE RESERVE AT CHEYENNE, THE CAMBRIA PLACE, THE RESERVE AT CHARLES PLACE and ARBROOK PARK by:

(1) commissioning the creation of copies and derivative works of WHA's copyrighted works by Chiles and SDT; and, (2) TCR's construction of "The NorthBend" and "Los Rios" apartments which incorporate WHA's copyrighted works. (A-Vol. 23, pp. 5395-5417).

3. WHA alleged that Chiles infringed WHA's copyrights in architectural works for projects designated THE WINDFERN, THE RESERVE AT CHEYENNE, THE CAMBRIA PLACE and THE RESERVE AT CHARLES PLACE by Chiles' copying, re-use and modification of those works in creating plans used in "The NorthBend" apartment complex. (A-Vol. 23, pp. 5395-5417).

4. WHA alleged that SDT infringed its copyrights in architectural works for a project designated ARBROOK PARK by SDT's admitted copying, re-use and modification of this work in creating plans used in the "Los Rios" apartment complex. (A-Vol. 23, pp. 5395-5417).

5. On May 22, 2002, TCR filed a Motion for Partial Summary Judgment of the Crow Defendants on the Issue of Damages. (A-Vol. 4, pp. 804-945). In that motion, TCR moved for judgment that Plaintiff's claims did not state an action for which copyright damages could be recovered. (A- Vol. 4, pp. 810-813). WHA both opposed TCR's motion and cross-moved for summary judgment that it was entitled to copyright damages. (A-Vol. 5, pp. 1111-1163).

6. In a Report and Recommendation of The United States Magistrate Judge ("RRMJ") dated October 10, 2002, the Magistrate Judge granted TCR's motion for partial summary judgment, holding that "the amount of damages WHA may seek to recover was limited by contract, specifically the re-use fee prescribed under the Owner/Architect Agreements". (A-Vol. 17, p. 4127). The

RRMJ was premised on the existence of an express, written license from WHA to TCR. (A-Vol. 17, pp. 4126-4127). WHA timely filed an objection to the RRMJ on October 24, 2002. (A-Vol. 17, pp. 4204-4228).

7. On January 24, 2003, the Magistrate Judge issued an Amended Report and Recommendation of The United State Magistrate Judge. ("ARRMJ"). In the ARRMJ, the Magistrate Judge modified his prior holding to include both those actions occurring with respect to "The NorthBend" apartment complex (Austin/Chiles) and the "Los Rios" apartment complex (Plano/SDT). (A-Vol. 22, p. 5158). WHA timely filed objections to the ARRMJ on February 7, 2003. (A-Vol. 22, pp. 5320-5343).

8. In an Order entered on February 19, 2003, the District Court adopted the ARRMJ. (A-Vol. 27, pp. 6459-6462).

9. WHA filed a Motion for Reconsideration of the Court's February 19, 2003 Order on March 4, 2003. (A-Vol. 28, pp. 6696-6711). This Motion for Reconsideration was denied on April 22, 2003. (A-Vol. 33, p. 7761).

10. Subsequent to the District Court's February 19, 2003 Order, Defendants filed a series of dispositive motions. On February 24, 2003, TCR filed a Motion for Summary Judgment of Trammell Crow. (A-Vol. 28, pp. 6575-6580). On February 28, 2003 Chiles filed Defendants CAI and Chiles' Second Motion For Summary Judgment and Cross-Motion for Summary Judgment. (A-Vol. 28, pp. 6585-6591). On March 6, 2003, SDT filed Defendants SDT Architects, Inc., Thomas Stovall and Jerry Daniels' Motion For Summary Judgment. (A-Vol. 29, pp. 6718-6760). Each of these motions sought final dismissal of

all of Plaintiff's claims based upon the adoption by the District Court of the ARRMJ.

11. A Final Judgment was entered on April 30, 2003. (A-Vol. 33, p. 7765).

SUMMARY OF ARGUMENT

The District Court erred in holding that Defendants' re-use of WHA's copyrighted works in THE WINDFERN, THE RESERVE AT CHEYENNE, THE CAMBRIA PLACE and THE RESERVE AT CHARLES PLACE projects did not exceed the scope of any re-use license granted to TCR under the Owner/Architect Agreements, and thus did not give rise to an action for copyright infringement from which copyright damages lie.

The District Court further erred in holding that Defendants' modification of WHA's copyrighted works in THE WINDFERN, THE RESERVE AT CHEYENNE, THE CAMBRIA PLACE and THE RESERVE AT CHARLES PLACE projects did not exceed the scope of any license granted to TCR under the Owner/Architect Agreements, and thus did not give rise to an action for copyright infringement from which copyright damages lie.

The District Court also erred in holding that the payment of the re-use fee was not a condition precedent under the Owner/Architect Agreements to the conveyance of any license to TCR to copy, re-use and/or modify WHA's copyrighted works, and thereby further erred in holding that the admitted refusal by TCR to pay such re-use fee did not give rise to a cause of action for copyright infringement.

ARGUMENT

A. Standard Of Review

On a motion for summary judgment, the moving party bears the burden of showing that there are no genuine issues of material fact and that the movant is entitled to judgment as a matter of law. Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986). In evaluating the merits of a motion for summary judgment, the district court must view all the evidence before it in a light most favorable to the non-movant and must further draw all reasonable inferences in favor of the non-movant. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986); TIG Ins. Co. v. Sedwick James of Washington, 276 F.3d 754, 759 (5th Cir. 2002).

A factual question is material if a reasonable jury could return a verdict for the nonmoving party based at least in part on its determination of the factual question. Anderson, 477 U.S. at 248. A genuine dispute is shown to exist if sufficient evidence is presented such that a reasonable fact finder could decide the question in favor of the nonmoving party. (Id.)

The grant of summary judgment is reviewed de novo by this Court. Young v. Equifax Credit Info. Servs. Inc., 294 F.3d 631, 635 (5th Cir. 2002).

B. TCR, Chiles And SDT Exceeded The Scope of Any License Granted Under The Owner/Architect Agreements

The District Court erred in finding that Defendants' re-use and modification of WHA's copyrighted works did not give rise to an action for copyright infringement for which WHA could recover copyright damages.

The District Court relied upon Section IX(B) to the Owner/Architect Agreements as authority for Defendants' re-use and modification of WHA's copyrighted works. Section IX(B), however, is clear that any re-use or modification of WHA's works could only be performed by "the Architect" since this same Section provides that "the Architect" receive, in addition to the re-use fee, fees for "engineering services", "hourly charges" and "expenses":

> B. The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of $150.00 per unit (base architectural fee), plus engineering services, plus contingent additional hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites.

(A-Vol. 5, p. 1001) (emphasis added).

Plainly, TCR would not be paying "the Architect" for "engineering services", "hourly charges" and "expenses", if anyone but "the Architect" was allowed to re-use and modify WHA's plans. Under the only possible construction of Section IX(B), the sole party authorized to copy, re-use and modify WHA's copyrighted plans, upon payment of the re-use fee, was "the Architect".

Per the plain language of these same Owner/Architect Agreements, "the Architect" was WHA. (A-Vol. 5, p. 991).

1. A Copyright License Must Be Strictly Construed According To The Express Terms Of The Conveyance

The Final Judgment of the District Court was premised on the existence of an express license granted Defendants to re-use and modify WHA's copyrighted works. Hence, the construction of this re-use license must be reviewed under the constraints imposed under the Copyright Statute. Cohen v. Paramount Pictures Corp., 845 F.2d 851, 854 (9th Cir 1988) (a copyright license must be construed in accordance with the purposes underlying federal copyright law). The Copyright Act provides that "anyone who violates one of the exclusive rights of the copyright owner . . . is an infringer of the copyright." 17 U.S.C. § 501(a). The "exclusive rights" defined under Section 106 are enumerated in 17 U.S.C. § 106. They include the right "to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies...;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies . . . of the copyrighted works to the public . . ."

17 U.S.C. § 106.

The copyright owner may transfer any or all of these rights. 17 U.S.C. §§ 106, 201(d)(2); Vault Corp. v. Quaid Software, Ltd., 847 F.2d 255, 258 (5th Cir. 1988)(The "owner of a copyrighted work has the exclusive right to reproduce the work in copies, to prepare derivative works based on the copyrighted work, to distribute copies of the work to the

public, and, in the case of certain types of works, to perform and display the work publicly.").

Federal copyright law mandates that any conveyance of rights in copyrightable subject matter be strictly construed to preserve rights in the copyright holder. S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1088 (9th Cir. 1989). In an opinion addressing this issue in the patent context, the Supreme Court has held that any "use [not licensed] is necessarily reserved to the [licensor]." Henry v. A.B. Dick Co., 224 U.S. 1, 24 (1912).

2. Any Alleged Re-Use License Did Not Grant TCR The Right To Retain Chiles And SDT To Copy, Re-Use And Modify WHA's Copyrighted Plans

The District Court held that Section IX(B) allowed TCR to retain Chiles and SDT to copy or re-use WHA's copyrighted works for other projects. In doing so, the District Court implied a conveyance of rights to TCR which was not expressed in the operative Owner/Architect Agreements. Under the Magistrate Judge's construction, which was adopted by the District Court, TCR was given a license to retain Chiles and SDT to copy and re-use WHA's copyrighted plans. The Owner/Architect Agreements on which the District Court based its holding, however, do not provide a re-use license of a scope which would allow TCR to use architects other than WHA to copy, re-use or modify WHA's copyrighted plans.

The District Court's holding was plainly error. Where, as here, rights in copyrighted subject matter are not expressly granted, the license must be construed as preserving those non-granted rights in the copyright owner. Henry, 224 U.S. at 24; Inslaw, Inc. v. U.S., 40 Fed. Cl. 843, 854-55 (Fed. Cl. 1998) (the terms of a copyright conveyance

should be construed to exclude that not specifically conveyed). See also Cohen, 845 F.2d at 855; S.O.S., Inc., 886 F.2d at 1088. Hence, the District Court's adoption of the Magistrate Judge's recommendation that the Owner/Architect Agreements gave Defendants a right to retain Chiles and SDT to re-use, copy and modify WHA's copyrighted plans is erroneous. By the express terms of the Owner/Architect Agreement, WHA retained the right to separately license Chiles and SDT. Cohen, 845 F.2d at 853-4 (those rights enumerated under 17 U.S.C. § 106, unless specifically conveyed, remain in the grantor). This right, however, did not pass to Defendants under the express language of the Owner/Architect Agreement.

The prior course of dealings between the parties demonstrates that the Owner/Architect Agreement was not of a scope which permitted copying, re-use or modification by an architect other the WHA.

In August 1996, WHA designed a project called "The Reserve at Barton Creek". In December 1996, TCR approached WHA to execute a separate agreement to allow Chiles to re-use WHA's plans from the Barton Creek project. This agreement is memorialized in a letter to Chiles dated December 2, 1996. (A-Vol. 22, pp. 5295u-v). WHA distinguished the absence of a separate agreement, consistent with the prior course of conduct between the parties, in its letter to TCR protesting Chiles' unauthorized use:

> As you know, Chiles Architects, Inc. has prepared, without our knowledge, Construction Documents for Trammell Crow Residential utilizing plans which are copyrighted property of Womack+Hampton Architects. In the past, on another development in Austin, an agreement was

> reached between Womack+Hampton Architects, Trammell Crow Residential and Chiles Architects allowing him to utilize our designs on that development for a Use Fee which is common in this industry. Unfortunately, no such agreement was requested nor exists for the use of our Windfern designs.

(A-Vol. 5, pp. 1150-1151) (emphasis added).

This prior course of dealings between the parties is highly probative on the scope of the rights conveyed under the Owner/Architect Agreement. See, S.O.S., Inc., 886 F.2d at 1088, n. 8 (evidence of the custom and practice between the parties is relevant in clarifying the intent concerning the re-use of architectural works as shown by comparing prior agreements between the parties to establish the scope of the license agreement).

In S.O.S., Inc. v. Payday, Inc., the Ninth Circuit construed 17 U.S.C. § 106 to require that a conveyance to a copyrighted work must be construed according to its literal terms, with all subject matter not expressly conveyed reserved in the copyright holder. S.O.S., Inc., 886 F.2d at 1088. The District Court adopted the findings of the ARRMJ which held that the re-use clause of the Owner/Architect Agreement was broader than that clause presented in S.O.S. (A-Vol. 27, pp. 6459-6462). While the Magistrate Judge recognized the absence of any language of conveyance in the Owner/Architect Agreements that allowed TCR, or those retained by TCR, to re-use and modify WHA's plans, the Magistrate Judge held that the re-use clause of Section IX(B) "necessarily contemplates modifications of the drawings and specifications (by architects other than WHA) to adapt the plans to other sites." (A-Vol. 27, pp. 6459-6462).

This holding is erroneous as a matter of law. It is well established that the district court is not free to engraft terms of conveyance where none were agreed to by the parties nor evidenced in the operative documents, regardless of what is believed to have been "contemplated". Gilliam v. American Broadcasting Cos., 538 F.2d 14, 23 (2nd Cir. 1976).[4]

The Second Circuit's decision in Gilliam addresses the requirement that a copyright license must be construed according to its literal and express terms. 538 F.2d at 20-21. In Gilliam, ABC acquired the right to air excerpts from several Monty Python programs. The instruments conveying the license for ABC to use these programs did not expressly allow ABC to edit these programs. Nevertheless, ABC proposed to broadcast edited versions of these excerpts as a derivative work. Monty Python sued to enjoin the proposed airing of this derivative work as beyond the scope of the license. The Second Circuit found that ABC's creation of a derivative work exceeded the scope of the license and thus constituted an infringement of the copyrights in the original work. Gilliam, 538 F.2d at 21.

Like the reasoning applied by the District Court in ignoring the absence of terms of express conveyance, ABC contended that while the underlying copyright license did not expressly allow modification of the copyrighted work, the Court should read the license to take into account what

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[4] The District Court's holding was based on the purported existence of an express license transferring exclusive rights to TCR to hire Chiles and SDT to re-use and modify WHA's copyright plans. (A-Vol. 27, pp. 6459-6462). 17 U.S.C. § 204(a) requires that the transfer of exclusive rights be in writing. It is undisputed that the Owner/Architect Agreement, on which the Court relied for its decision in granting summary judgment, did not contain any conveyance of rights to TCR to retain any architect other than WHA.

the parties contemplated at the execution of the Agreement. The Second Circuit found these arguments unpersuasive:

> Finally, ABC contends that appellants must have expected that deletions would be made in the recordings to conform them for use on commercial television in the United States. ABC argues that licensing in the United States implicitly grants a license to insert commercials in a program and to remove offensive or obscene material prior to the broadcast. According to the network, appellants should have anticipated that most of the excised material contained scatological references inappropriate for American television and that these scenes would be replaced with commercials, which presumably are more palatable to the American public.
>
> * * *
>
> Several of the deletions made for ABC, such as elimination of the words "hell" and "damn," seem inexplicable given today's standard television fare. If, however, ABC honestly determined that the programs were obscene in substantial part, it could have decided not to broadcast the specials at all, or it could have attempted to reconcile its differences with appellants. The network could not, however, free from a claim of infringement, broadcast in a substantially altered form a program incorporating the script over which the group had retained control.

Gilliam, 538 F.2d at 23 (emphasis added); see also, Inslaw, Inc., 40 Fed. Cl. at 854-55 (a transfer of rights under a copyright will not be implied absent express language of conveyance).

By its express terms, the Owner/Architect Agreement allowed TCR to exercise an option to retain "the Architect" to copy, re-use and modify WHA's copyrighted plans. These same Agreements define "the Architect" as WHA - - not SDT or Chiles. The District Court's conclusion, therefore, necessarily reads terms into the Owner/Architect Agreements not expressly set forth and agreed to between the parties. This construction fails as a matter of law.

Like ABC in Gilliam, TCR had an option: to comply with the terms of the Owner/Architect Agreements and retain WHA to re-use and modify the plans for THE WINDFERN, THE RESERVE AT CHEYENNE, THE RESERVE AT CHARLES PLACE, CAMBRIA PLACE and ARBROOK PARK projects or negotiate with WHA over the scope of the copyright license to allow it to use Chiles and SDT to make the modifications.[5] TCR's failure to choose either of these options, and instead retain Chiles and SDT to modify WHA's plans without permission or license to do so, gives rise to liability under the Copyright Statute. See, Quintanilla v. Texas Television, Inc., 139 F.3d 494, 500 (5th Cir. 1998) (a cause of action for copyright infringement will lie where the licensee exceeds the scope of the license); Sun Microsystems, Inc. v. Microsoft Corp., 188 F.3d 1115, 1121 (9th Cir. 1999) ("If, however, a license is limited in scope and the licensee acts outside the scope, the licensor can bring an action for copyright infringement."); S.O.S. Inc., 886 F.2d at 1087; Gilliam, 538 F.2d at 20-21 (finding that the licensees'

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[5] The prior course of dealings between the parties demonstrates that TCR was aware that it needed permission to retain architects other than WHA to copy, re-use and modify WHA's plans. See, discussion at pp. 20-21.

actions in exceeding the scope of the license gave rise to a claim for copyright infringement); Inslaw, Inc., 40 Fed. Cl. at 854-55.

C. The Trial Court Erred in Holding That The Owner/Architect Agreements Conveyed A Re-Use License To TCR Absent Payment Of The Re-Use Fee

1. Payment Of The Re-Use Fee Was A Condition Precedent To The Grant Of A Re-Use License

The District Court adopted the recommendation of the Magistrate Judge, as set forth in the ARRMJ, that the Owner/Architect Agreements conveyed to TCR a right to "use, copy or cause to have copied" WHA's copyrighted works.[6] In the ARRMJ, the Magistrate Judge held that Paragraph IX(B) of the Owner/Architect Agreements provided that TCR had a "right to use, copy or cause to have copied" WHA's architectural works on "subsequent phases or other sites." (A-Vol. 22, pp. 5150-5159) (emphasis in original). The Final Judgment was therefore based on the alleged existence of an express license (as allegedly set forth in the Owner/Architect Agreement) from WHA to TCR for the re-use of Plaintiff's architectural works. The ARRMJ further held that liability for unauthorized use by TCR was limited to the base architectural fee specified in the Owner/Architect Agreements, in addition to expenses set forth in these Agreements. (A-Vol. 22, pp. 5150-5159).

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[6] "It is therefore Ordered that the Amended Report and Recommendation filed by Magistrate Judge Stephen Capelle on January 24, 2003 is hereby Accepted and Adopted herein." (A-Vol. 27, pp. 6459-6462).

Though not specifically addressed in the ARRMJ, the Magistrate Judge's conclusion that WHA was confined to contractual damages for TCR's unauthorized use can only follow from its conclusion that the option fee specified under the Owner/Architect Agreements was not a condition precedent to TCR's right to re-use these plans. This conclusion, which was adopted by the District Court, is erroneous as a matter of law.

The Owner/Architect Agreements clearly specified four important conveyances and reservations of rights which are controlling for purposes of this appeal of the Final Judgment of the District Court:

(1.) The Agreements conveyed a license to TCR to use the subject works in connection with the specific project the subject of the particular Agreement. (A-Vol. 5, p. 1001);

(2.) The Agreements reserved to WHA the right to have WHA copy, re-use, and/or modify the subject works in connection with any other project. (A-Vol. 5, p. 1001). In this connection, the Agreements specifically set forth that TCR was given no license to re-use WHA's works for other projects. (A-Vol. 5, p. 1001);

(3.) The Agreements reserved to WHA all rights in the subject works other than that use licensed to TCR in connection with the particular project the subject of each agreement. (A-Vol. 5, p. 1001); and

(4.) The Agreements conveyed to TCR an option to have WHA copy, re-use and/or modify the subject works, but only if TCR first exercised its option through the payment of a re-use fee. (A-Vol. 5, p. 1001).

The Owner/Architect Agreements set forth that all rights conveyed to TCR for those architectural works developed by WHA for each project were expressly limited to that project. Therefore, a condition precedent to any rights conveyed to TCR to have WHA copy, re-use or modify WHA's copyrighted works was that TCR first pay the option fee. The District Court, however, ignored the express reservation of rights in WHA to re-use the copyrighted works as set forth in Section IX(A) of the Owner/Architect Agreements. Absent a disregard of this reservation of rights to WHA as set forth in the Owner/Architect Agreements, the District Court could not have found that (1) TCR had a license to copy, re-use and modify the copyrighted works and, therefore (2) the failure by TCR to pay the re-use fee solely gave rise to damages for breach of contract.

The express language of the Owner/Architect Agreement expressly forecloses the District Court's construction of a grant of a re-use license to TCR. Section IX(A) in each Owner/Architect Agreement expressly reserved all rights to WHA in the copyrighted works aside from their use by TCR for the project the subject of the particular Agreement: "for use solely with respect to this project". (A-Vol. 5, p. 1001). This reservation of rights must be observed in the construction of the operative contracts. S.O.S. Inc., 886 F.2d at 1087. (The contract must be construed according to the purposes underlying federal copyright law, and chief among these is the protection of the author's rights. Any right not expressly granted by contract is retained by the owner.)

The language of Section IX(B) of the Owner/Architect Agreements evidences WHA's intent to retain control over its copyrights and rebuts any implication that WHA intended to grant a re-use license short of TCR's compliance with the express terms of that section. See, Johnson v. Jones, 149 F.3d 494, 500 (6th Cir. 1998). That the payment of the re-use fee was a condition precedent to the granting of a re-use license is evidenced by the prior course of dealings between the parties which is highly probative on the existence of a condition precedent. See, In re Cavalier Indust., Inc., 2001 Bankr. LEXIS 366, *12-14 (E.D.Pa. 2001) (parties' course of conduct under other sales agreements was persuasive evidence of their intentions regarding existence of a condition precedent in the disputed agreement). In prior dealings between WHA and TCR, when TCR attempted to exercise its option to re-use WHA's copyrighted plans, TCR sought an agreement and paid the re-use fee before any re-use occurred. In December 1996, TCR attempted to exercise an option to re-use WHA's plans for a project called "The Reserve at Barton Creek". To re-use WHA's plans, TCR sought an agreement and pre-paid the re-use fee. This agreement and payment of the re-use fee was memorialized in a letter to Chiles dated December 2, 1996. (A-Vol. 22, pp. 5295u-v). To this end, TCR admitted that it knew a separate license and re-use fee were required before re-use of WHA's plans could occur. (A-Vol. 22, p. 5267). One of TCR's representatives admitted knowing a formal agreement was needed for the re-use:

> Q: In January of '98 when you forwarded the documents to Chiles Architects, did you think you had the right to do what you wanted to do with the Womack+Hampton documents?
>
> A: I thought we would have the right.

> Q: When you way "would have," that you would in the future get some type of an agreement that would allow you to utilize them?
>
> A: I thought that - number one, I thought that Womack+Hampton knew what we were doing and I thought that a more formal arrangement would be done."

(A-Vol. 33, p. 7722; Vol. 36 p. 8432).

TCR's representative also admitted that a formal agreement was never obtained allowing modification of WHA's plans:

> Q: The document, the Womack+Hampton documents that were sent to Chiles Architects were modified in order to design the Metric project, correct?
>
> A: Correct.
>
> Q: Did you have a written agreement from Womack+Hampton allowing you to modify the plans?
>
> A: We didn't have anything from Womack+Hampton other than those schematics.

(A-Vol. 17, p. 4228) (emphasis added).

Section IX of the Owner/Architect Agreements is in the nature of a copyright license. While recognizing Texas law disfavors the interpretation of a condition precedent, such law must yield where, as here, it is in conflict with the purposes underlying Federal copyright law. See, Foad

Consulting Group, Inc. v. Musil Govan Azzalino, 270 F.3d 821, 827 (9th Cir. 2001) (only where the Copyright Act does not address an issue should state law resolve the matter, so long as the state law does not otherwise conflict with the Copyright Act); Cohen, 845 F.2d at 854 (a copyright license must be construed in accordance with the purposes underlying federal copyright law). Chief among these purposes is the protection of the author's rights. Cohen, supra; Gilliam, 538 F.2d at 23 ("the copyright law should be used to recognize the important role of the artist in our society and the need to encourage production and dissemination of artistic works by providing adequate legal protection for one who submits his work to the public.").

The District Court's construction of the Owner/Architect Agreements fails as contrary to one of the primary axioms of contract construction where one party is essentially given "something for nothing". See, 3 Nimmer on Copyright § 10.08 at 10-72, 73. When properly construed, Section IX(B) of the Owner/Architect Agreement created an obligation to pay the re-use fee as a condition precedent to TCR's ability to obtain a license to re-use the copyrighted works. S.O.S., Inc., 886 F.2d at 1087; McRoberts Software, Inc. v. Media 100, Inc., 2001 U.S. Dist. LEXIS 16794 *22-26 (S.D. Ind. 2001), aff'd in part rev'd in part, 329 F.3d 557 (7th Cir. 2003).

In McRoberts Software, Inc., the district court addressed the precise issue presented in this appeal: the non-occurrence of a condition precedent to the granting of a copyright license. In McRoberts Software, Inc., the license of a right to use and distribute CG Software was conditioned upon the distribution of that software with the intended hardware. Id. at *25. The district court found the use of the term "when" as modifying the right to distribute versions of the copyrighted software was persuasive as indicating that the distribution right was expressly conditioned on the

happening of an event, and thus was a right reserved to the copyright holder. Id.

The facts of this case even more strongly compel the finding of a condition precedent. In McRoberts Software, Inc., the operative instrument included words of conveyance conditioned upon a certain event ("when"). The language of Section IX(B) of the Owner/Architect Agreements, however, is clear that no license to copy, re-use, or modify WHA's architectural works passed to TCR before the payment of the re-use fee. In this connection, Section IX(B) contains words of reservation ("The Owner agrees not to use, copy or cause to have copied...") conditioned upon the payment of the re-use option fee ("without proper compensation"). (A-Vol. 5, p. 1001). Plainly, unless and until TCR complied with this condition precedent, and exercised the option for a re-use license, it had no right to re-use the copyrighted works for other projects. TCR did not comply with this condition precedent since it never paid the re-use fee. (A- Vol. 27, pp. 6459-6462). Hence, TCR could not have received a license to re-use WHA's copyrighted works.

That payment of the re-use fee prescribed in Section IX(B) is a condition precedent to a re-use license under the Owner/Architect Agreements is further confirmed by correspondence from WHA to TCR to the effect that TCR had no license to re-use the subject works. (A-Vol. 5, pp. 1150-1151). This notice by WHA is probative on the fact that payment of the re-use license fee was in fact a condition precedent to the issue of a re-use license. Irwin v. American Interactive Media, Inc., 1994 U.S. Dist. LEXIS 16223, *12-13 (C.D. Cal. 1994) (Plaintiff's notice to Defendant that "failure to pay [agreed-upon price] would be viewed as copyright infringement" may be a factor in determining whether payment is a condition precedent to usage of the material.).

2. Section IX(B) Of The Owner/Architect Agreements Solely Conveyed An Option For A Re-Use License

The District Court failed to recognize that the Owner/Architect Agreements at Section IX(B) Of The Owner/Architect Agreements merely gave rise to an option to re-use WHA's copyrighted works for other projects. By definition, the rights granted in an option agreement cannot be enjoyed until the option is exercised. Merritt-Campbell, Inc. v. RxP Prods., Inc., 164 F.3d 957, 963 (5th Cir. 1999)(the underlying contract which forms a part of an option agreement is not binding until accepted); Chambless v. Travelers Lloyds of Tex. Ins. Co., 123 F.Supp. 2d 1028, 1033 (N.D. Tex. 2000) ("'the acceptance of an option, to be effectual, must be unequivocal, absolute, unconditional . . . and according to the terms or conditions of the option. Substantial compliance with the terms of the option is held not sufficient to constitute an acceptance.'" (quoting Leggio v. Millers Nat'l Ins. Co., 398 S.W.2d 607, 610 (Tex. Civ. App.-Tyler 1965, writ ref'd n.r.e.)); Primesorb, Inc. v. 95 Corp., 2000 Tex. App. LEXIS 2259, *13 (Tex. App. - Houston [1st Dist.] 2000, n.w.h.)(until an option is accepted by the optionee, the contract is not complete and is of no force or effect).

Section IX(B) expressly set forth that the option could only be accepted if TCR first tendered the prescribed re-use fee. "The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect . . ." (A-Vol. 5 p. 1001). TCR never tendered this fee. (A-Vol. 33, pp. 7720 & 7722-7723). Since TCR failed to exercise the option conveyed under Section IX(B), it necessarily could not have received a license to copy, re-use or modify WHA's architectural

works. Merritt-Campbell, Inc., 164 F.3d at 963; Chambless, 123 F.Supp. 2d at 1033.

3. TCR's Failure To Pay The Re-Use Fee Prescribed Under the Owner/Architect Agreements Gives Rise To An Action For Copyright Infringement

In the ARRMJ, the District Court adopted the recommendation of the Magistrate Judge to the effect that because WHA and TCR entered into a copyright license for the one-time use of Plaintiff's copyrighted plans, TCR's actions in exceeding the scope of this license to re-use WHA's copyrighted plans for other sites gave rise only to an action for breach of contract. (A-Vol. 22, pp. 5150-5159). The precise argument was debunked in McRoberts Software, Inc., supra. In that case, the defendant moved for summary judgment on the issue of whether the copyright claimant could recover copyright damages for defendant's use of software outside of the scope of the copyright license. Like TCR, the defendant in McRoberts Software, Inc. claimed that any damages the plaintiff could recover were for breach of contract, not for copyright infringement. The district court disagreed:

> Thus, if DTI/M100 did in fact exceed the scope of its license to use and distribute MSI's software, MSI has a right to sue for copyright infringement, and is not limited to a breach of contract claim just because it signed the Licensing Agreement.

McRoberts Software, Inc., 2001 U.S. Dist. LEXIS at 16794, *20 (emphasis added).

A leading commentator in the area of copyright law further confirms the District Court's error that any use of a copyrighted work which is not expressly licensed gives rise to an action for breach of contract, not copyright infringement:

> If the nature of a licensee's violation consists of a failure to satisfy a condition to the license . . ., it follows that the rights dependent upon satisfaction of such condition have not been effectively licensed, and therefore, any use by the licensee without authority from the licensor and may therefore, constitute an infringement of copyright.

3 Nimmer on Copyright § 10.15[A] at 10-121.

4. Any Re-Use License Did Not Extend To Chiles and SDT

Even assuming, arguendo, that the Owner/Architect Agreement served to convey a non-exclusive license to TCR, this license was personal to TCR and was not transferable, absent consent of WHA. In re CFLC, Inc., 89 F.3d 673, 679 (9th Cir. 1996) (patent case); SQL Solutions, Inc. v. Oracle Corp., 1991 U.S. Dist. LEXIS 21097, *12-15 (N.D. Cal. 1991). In this case, WHA did not consent to Chiles' and SDT's re-use and modification of its copyrighted works. In fact, WHA notified Chiles that its continued re-use was unauthorized and would result in "damages". (A-Vol. 5, p. 1158).

Absent a license, Chiles' and SDT's admitted re-use and modification of WHA's copyrighted works gives rise to an independent cause of action for infringement of WHA's copyrights. Feist Publications v. Rural Tel. Serv. Co., 499 U.S. 340, 361 (1991).

CONCLUSION

For all of the foregoing reasons, WHA respectfully requests that the Court: (1) hold that the District Court erred in granting Defendants' Motion for Summary regarding damages and denying WHA's Motion for Summary Judgment regarding damages, and (2) remand the case to the District Court for further proceedings consistent with WHA's copyright action.

Respectfully submitted,

Dated: September 15, 2003

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CERTIFICATE OF SERVICE AND FILING

I hereby certify that on this 19th day of September, 2003, two (2) bound copies of the Brief of Appellant, were served via Federal Express to each of the following:

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I also certify that on this 19th day of September, 2003, the original and six (6) bound, paper copies and one (1) diskette copy in PDF format of Brief of Appellant were filed at the Office of the Clerk, United States Court of Appeals for the Fifth Circuit.

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CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned certifies that this brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B)(i).

1. Exclusive of the exempted portions of the brief, as provided in Federal Rule of Appellate Procedure 32(a)(7)(B)(iii), this brief includes 7,553 words.

2. This brief has been prepared in proportionally spaced typeface Microsoft Word 2000 in 14 point Times New Roman font. As permitted by Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned has relied upon the word count of this word-processing system in preparing this certificate.

Dated: September 19th, 2003

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Notice Of Appeal To The United States Court Of Appeals For The Fifth Circuit From A Judgment Or Order Of The Court

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF TEXAS

Womack+Hampton Architects, L.L.C.,

Plaintiff

v. Case No. C.A. No. A01CA 59 1 JN

Metric Holdings, Ltd, et al.,

Defendant

NOTICE OF APPEAL

Notice is hereby given that Womack+Hampton Architects, L.L.C., Plaintiff in the above-named case, hereby appeals to the United States Court of Appeals for the Fifth Circuit from the FINAL JUDGMENT entered in this action on April 30, 2003.

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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.
Plaintiff,

v.

METRIC HOLDINGS LTD., PARTNERSHIP, CHILES ARCHITECTS, INC., and TRAMMEL CROW RESIDENTIAL COMPANY, et al.,
Defendants.

A-01-CV-591 JRN
(consolidated with A-02-CV-793 JRN)

REPORT AND RECOMMENDATION
OF THE UNITED STATES MAGISTRATE JUDGE

TO: THE HONORABLE JAMES R. NOWLIN
CHIEF UNITED STATES DISTRICT JUDGE

Before the Court are the Motion for Summary Judgment of Trammel Crow Defendants filed February 24,2003 (Clerk's Dkt #315); Defendants CAI and Chiles' Second Motion for Summary Judgment filed February 28, 2003 (Clerk's Dkt. #318); Plaintiff Womack+Hampton Architects, LL.C.'s Response and Opposition to the Crow Defendants' Motion for Summary Judgment filed March 5, 2003 (Clerk's Dkt. #324); Defendants SDT Architects, Inc., Thomas Stovall and Jerry Daniels' Motion for Summary Judgment filed March 6, 2003 (Clerk's Dkt. #325); Plaintiff Womack+Hampton Architect, LLC.'s Response and Opposition to Defendants CAI and Chiles' Second Motion for Summary Judgment and Cross-Motion for Summary Judgment filed March 13, 2003 (Clerk's Dkt. #330); Reply of Trammel Crow Defendants to Plaintiffs Response and

Opposition to Motion for Summary Judgment filed March 17,2003 (Clerk's Dkt. #347); and Plaintiff Womack+Hampton Architect, L.LC.'s Response and Opposition to Defendants SDT Architects, Inc., Thomas Stovall and Jerry Daniels' Motion for Summary Judgment filed March 19,2003 (Clerk's Dkt. #357). These dispositive motions were referred by United States District Judge James R. Nowlin to the undersigned for a Report and Recommendation as to the merits of the motions pursuant to 28 U.S.C. § 636(b), Rule 72 of the Federal Rules of Civil Procedure, and Rule 1 (d) of Appendix C of the Local Rules of the United States District Court for the Western District of Texas. After reviewing the parties' pleadings, relevant case law, as well as the entire case file, the undersigned issues the following Report and Recommendation.

I. Procedural History

On January 24, 2003, the undersigned issued an Amended Report and Recommendation, on Crow Defendants' Motion for Partial Summary Judgment on issue of Damages (Clerk's Dkt. #69) and Plaintiff Womack+Hampton's Response and Opposition to Crow Defendants' Motion for Summary Judgment on the Issue of Damages and Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement (Clerk's Dkt. #76). On February 19, 2003, Chief United States District Judge James R. Nowlin accepted and adopted the Amended Report and Recommendation. Judge Nowlin granted Crow Defendants' Motion for Partial Summary Judgment on Issue of Damages (Clerk's Dkt. #69) and denied Plaintiff Womack+Hampton's Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement (Clerk's Dkt. #76).

On February 21, 2003, the undersigned issued a Report and Recommendation on the dispositive motions still pending. On March 13, 2003, Chief United States District Judge James R. Nowlin accepted and adopted the Report and Recommendation. Judge Nowlin denied the remaining dispositive motions, without prejudice to the parties' ability to re-urge the motions, if necessary.

Defendants have subsequently filed three separate motions for summary judgment. They argue the Court's grant of the Crow Defendants' Motion for Summary Judgment and denial of Plaintiff's Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement lead inescapably to the conclusion that Plaintiff has waived its right to pursue copyright claims. Plaintiff maintains the Court's previous decision is both incorrect and does not clearly bar all claims against all the defendants.

II. Standard of Review

Summary judgment is appropriate under Rule 56(c) of the Federal Rules of Civil Procedure only "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." FED. R. CIV. P. 56(c). A dispute is genuine only if the evidence is such that a reasonable jury could return a verdict for the nonmoving party. See *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 254,106 S. Ct. 2505, 2513 (1986).

The party moving for summary judgment bears the initial burden of "informing the district court of the basis for its motion, and identifying those portions of [the record] which it believes demonstrates the absence of a genuine issue of material fact" *Celotex Corp. v. Catrett, All* U.S.

317,323,106 S. Ct. 2548,2553 (1986). The burden then shifts to the nonmoving party to establish the existence of a genuine issue for trial. See *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574,585-87,106 S. Ct. 1348,1355-56 (1986); *Wise v. E.I. Dupont de Nemours & Co.*, 58 F.3d 193, 195 (5th Cir. 1995).

This Court will consider the summary judgment evidence in the light most favorable to the non-movant; however, the non-movant may not rely on mere allegations in the pleadings, but must respond to the motion by setting forth particular facts indicating that there is a genuine issue for trial. See *Mississippi River Basin Alliance v. Westphal*, 230 F.3d 170, 174 (5th Cir. 2000) (citing *Anderson*, 477 U.S. at 248-49, 106 S. Ct at 2510). "After the non-movant has been given the opportunity to raise a genuine factual issue, if no reasonable juror could find for the non-movant, summary judgment will be granted." *Id.*

III. Analysis

Plaintiff Womack+Hampton Architects, L.L.C. ("Womack+Hampton") alleges the Crow Defendants,[1] commissioned the Chiles Defendants[2] and the SDT Defendants[3] to use and/or copy Womack+Hampton's copyrighted architectural drawings without authorization. The sole legal basis for Womack+Hampton's claims is copyright infringement.

In their previous motion for partial summary judgment, the Crow Defendants argued the architectural drawings at issue in this case were obtained from Womack+Hampton under Owner Architect Agreements that expressly contemplated further use of the drawings for other sites and projects in return for "proper compensation" as specified in the agreements. The Court concluded "[t]he language in [the Owner Architect Agreements] expressly and unambiguously provides that Trammell Crow may "use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites." emphasis added, if it properly compensates Womack+Hampton." AM-REPORT &

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1 The Crow Defendants consist of Metric Holdings, Ltd. Partnership, Trammell Crow Residential Company, TCR South Central 1995, inc., TCR South Central Division L.P., TCR Metric Construction Ltd. Partnership, TCR Operating Company, Inc., TCR Metric L.P., South Central RS, Inc., TCR South Central Division L.P., TCR Los Rios Limited Partnership, Robert Buzbee, Lewis Bunch, Kenneth J. Valach, Perry K. Wilson, J. Ronald Terwilliger, Chris Wheeler, John Zeledon and Tim Hogan.

2 The Chiles Defendants consist of Chiles Architects, Inc. and Gary Chiles.

3 The SDT Defendants consist of SDT Architects, Inc., Thomas Stovall and Jerry Daniels.

RECOMMENDATION, 1/24/2003 at 8. Based on that finding, the District Judge granted the motion for summary judgment, finding Womack+Hampton's damages, if any, are limited by the express terms of those agreements.

Defendants now maintain the inescapable conclusion of that ruling is Womack+Hampton's copyright infringement claims fail as a matter of law. Womack+Hampton insists it is entitled to prevail on its claim of copyright infringement, maintaining the Court's prior ruling was incorrect. Womack+Hampton also contends the Chiles Defendants and the SDT Defendants were not parties to the contract between Womack+Hampton and the Crow Defendants and are therefore not subject to its terms.

The grant of a nonexclusive license to use copyrighted material acts as a waiver by the copyright owner to sue the licensee for copyright infringement. *John G. Danielson, Inc. v. Winchester-Conant Properties, Inc.*, __ F.3d __, 2003 WL 834565 *12 (1st Cir. Mar. 6,2003); *Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1121 (9th Cir. 1999); *Graham v. James*, 144 F.3d 229,236 (2nd Cir. 1998). See *also Fantastic Fakes, Inc. v. Pickwick Int'l, Inc.*, 661 F.2d 479, 483-84 (5th Cir. 1981) ("mere breach of covenant may support a claim of damages for breach of contract but will not disturb the remaining rights and obligations under the license including the authority to use the copyrighted material"). The District Court has already concluded Womack+Hampton granted a license to the Crow Defendants to re-use the copyrighted material. The Magistrate Court is both bound by that ruling, and finds Plaintiff has failed to present any authority to support reconsideration of that decision. Thus, Womack+Hampton's claims of copyright infringement clearly fail as to the Crow Defendants. See *Sun Microsystems*, 188 F.3d at 1121 (copyright owner who grants license to use limited to suit

for breach of contract); Jacob *Maxwell, Inc. v. Veeck,* 110 F.3d 749, 754 (11th Cir. 1997) (plaintiff cannot recover copyright damages following grant of license to play song).

Womack+Hampton distinguishes its claims against the Chiles Defendants and the SDT Defendants on the basis that they were not parties to the Owner Architect Agreements. Plaintiff argues any license granted in those agreements was solely to the Crow Defendants and was not transferable, absent its consent. See *In re CFLC, Inc.,* 89 F.3d 673,679-80 (9th Cir. 1996) (under federal law, patent licenses are personal and assignable only with the consent of the licensor).

Plaintiff's argument, however, fails to consider the plain language of the Owner Architect Agreements. The Crow Defendants were authorized to "use, copy or cause to have copied... on subsequent phases or other sites" the architectural drawings at issue. Plaintiff apparently interprets these provisions to prohibit the Crow Defendants from employing any third party to effectuate the actions permitted by the Owner Architect Agreements. This interpretation is clearly strained in view of the language permitting use of the plans on another site and the reference to "cause to have copied." These phrases clearly contemplate the participation of others beyond the Crow Defendants. See, *e.g., Lulirama Ltd., Inc. v. Axcess Broadcast Services, Inc.,* 128 F.3d 872, 882 (5th Cir. 1997) (grant of nonexclusive license to use jingle included reproducing and making copies, preparing derivative works, distributing copies or records of the jingles and authorizing others to perform jingles publicly); *NFLC, Inc. v. Devcom Mid-America, Inc.* 45 F.3d 231,235 n.5 (7th Cir. 1995) (license allowing user to copy, modify, update, enhance, and maintain software permitted copying and modification of software by user's consultant). Indeed, when taken to its logical extreme, Womack+Hampton's interpretation would prevent the

Crow Defendants from employing a third party copy service to make copies of the drawings. Such a strained reading of the contract language is unreasonable. Accordingly, the Magistrate Court finds the Chiles Defendants and the SDT Defendants are not liable for infringement of Womack+Hampton's copyrights.

III. RECOMMENDATION

The undersigned **RECOMMENDS** that the District Court **GRANT** the Motion for Summary Judgment of Trammel Crow Defendants, Defendants CAI and Chiles' Second Motion for Summary Judgment and Defendants SDT Architects, Inc., Thomas Stovall and Jerry Daniels' Motion for Summary Judgment.

The undersigned **FURTHER RECOMMENDS** that the District Court **DENY** Plaintiff Womack+Hampton Architect, L.L.C.'s Cross-Motion for Summary Judgment against Defendants CAI and Chiles.

IV. OBJECTIONS

The parties may file objections to this Report and Recommendation. A party filing objections must specifically identify those findings or recommendations to which objections are being made. The District Court need not consider frivolous, conclusive, or general objections. See *Battle v. United States Parole Comm'n*, 834 F.2d 419, 421 (5th Cir. 1987).

A party's failure to file written objections to the proposed findings and recommendations contained in this Report within ten (10) days after the party is served with a copy of the Report shall bar that party from de novo review by the District Court of the proposed findings and recommendations in the Report and, except upon grounds of plain error, shall bar the party from appellate review of

unobjected-to proposed factual findings and legal conclusions accepted by the District Court. See 28 U.S.C. § 636(b)(1)(C); *Thomas v. Am*, 474 U.S. 140, 150-53 (1985); *Douglass v. United Servs. Auto. Ass'n*, 79 F.3d 1415,1428-29 (5th Cir. 1996) (en banc).

The Clerk is directed to send a copy of this Report and Recommendation to the parties by certified mail, return receipt requested.

SIGNED this 19th day of March, 2003.

/s/ Stephen H. Capelle
STEPHEN H. CAPELLE
UNITED STATES MAGISTRATE JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.

Plaintiff,

VS.

METRIC HOLDINGS, LTD., PARTNERSHIP, *et al.*

Defendants

CIVIL ACTION NO. A-01-CV-591 JRN
(Consolidated with A-02-CV-793-JRN)

DEFENDANTS, SDT ARCHITECTS, INC., THOMAS STOVALL and JERRY DANIELS'
MOTION FOR SUMMARY JUDGMENT

TO THE HONORABLE JUDGE OF SAID COURT:

COME NOW Defendants, SDT ARCHITECTS, INC., THOMAS STOVALL and JERRY DANIELS (hereinafter collectively referred to as "SDT Defendants"), and move for entry of summary judgment in their favor and against Plaintiff Womack+Hampton Architects, L.L.C. ("Womack") on all of Womack's claims for copyright infringement, inducement, and contributory infringement and would show unto this Honorable Court as follows:

I.

BACKGROUND

On or about January 24, 2003, Judge Capelle issued an Amended Report and Recommendation of the United States Magistrate Judge.[1] Judge Capelle recommended that the District Court grant the defendant's motion for summary judgment on the issue of damages and order the amount of damages Womack may seek to recover in this lawsuit be limited by the contract. The contract referred to by Judge Capelle's Report is actually multiple Owner Architect Agreements entered into between Womack and one or more of the Trammell Crow entities. According to the contracts, Trammell Crow entities agree to pay re-use fees for each time Womack's architectural drawings are used, copies or caused to be copied by a Trammell Crow entity. The contracts between Trammell Crow and Womack were not limited to specific projects. In fact, paragraph B of the contracts state that Trammell Crow may "use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites.[2] (Emphasis added).

After acquiring the architectural drawings for the "Arbrook Park" apartment complex in Arlington, Texas, from Womack, Trammell Crow engaged SDT Defendants to develop new plans for an apartment complex in El Paso, Texas, know as the "Los Rios Project." Unknown to SDT Defendants, the architectural drawings given to SDT Defendants were Womack's architectural drawings for the "Arbrook Park" apartments. Womack alleges that SDT

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[1] Amended Report and Recommendation of the United States Magistrate Judge to the Honorable James R. Nowlin, Chief United States District Judge, dated January 24, 2003 (Tab A).

[2] Trammell Crow Agreement (Tab B).

Defendants are liable for contributory copyright infringement because SDT Defendants used Womack's copyrighted plans and architectural drawings of the "Arbrook Park" for the "Los Rios" apartment complex.

On February 19, 2003, Chief United States District Court Judge James Nowlin accepted and adopted the January 24, 2003 Amended Report and Recommendation of Magistrate Judge Capelle, and granted Trammel Crow's Motion for Partial Summary Judgment on the issue of Damages.[3] According to Judge Nowlin's Order, "the amount of damages Plaintiff may seek to recover is limited by the terms of the underlying contract, specifically by the terms of the subject Owner Architect Agreements at issue in this case."[4] SDT Defendants are not a party to the underlying contract. Due to the fact that Womack's damages are limited by the terms of the underlying contract and SDT Defendants were not a party to the subject contract, then Womack's claims against SDT Defendants should fail as a matter of law. Furthermore, this Court has found that Trammell Crow was given a license and/or permission to use the architectural drawings and specifications and as such Trammell Crow did not infringe on Womack's copyright. As such, Womack's cause of action for copyright infringement fails as a matter of law. If Womack has no cause of action against Trammell Crow for federal copyright infringement, then Womack's cause of action against SDT Defendants for contributory infringement must also fail as a matter of law.

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[3] Order, February 19, 2003 (Tab C).

[4] *Id.* at 4.

II.

SUMMARY JUDGMENT STANDARD

Summary Judgment is to be rendered only if "the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and the moving party is entitled to a judgment as a matter of law." Fed.R.Civ.P. 56(c); *Little v. Liquid Air Corp.*, 37 F.3d 1069, 1075 (5th Cir. 1994) (en banc). When the burden at trial rests with the non-movant, the movant must merely demonstrate an absence of evidentiary support in the record for the non-movant's case. *Celotex Corp v. Catrett*, 477 U.S. 317, 324, 106 S. Ct. 2548 (1986). Where the defendant seeks a summary judgment on an affirmative defense, he bears the burden of proof to demonstrate that no disputed material fact exists regarding the affirmative defense. See *Chaplin v. NationsCrdit Corp.*, 307 F.3d 368, 372 (5th Cir. 2002); *Rushing v. Kansas City Southern RY. Co.*, 185 F.3d 496, 505 n.4 (5th Cir. 1999), **cert. denied**, 528 U.S. 1160, 120 S. Ct. 1171 (2000).

While the Court considers the evidence with all reasonable inferences in the light most favorable to the non-movant, the non-moving party must come forward with specific facts showing that there is a genuine issue for trial. *Matsushita Elec. Indus. Co. Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587, 106 S. Ct. 1348, 1356 (1986); *Webb v. Cardithoracic Surgery Assoc. of North Texas*, 139 F.3d 532, 536 (5th Cir. 1998). This requires the non-moving party to do "more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita Elec.*, 475 U.S. at 586, 106 S. Ct. at 356. If the record taken as a whole could not lead a rational trier of fact to find for the non-movant, there is no genuine issue for trial. *Webb*, **supra**; *Szabo v. Errison*, 68 F.3d 940, 942 (5th Cir. 1995).

III.

ARGUMENT AND AUTHORITIES

In order to establish copyright infringement, one must prove both ownership of their respective copyrights and that the alleged infringer "copied" their work. *Miller v. Universal City Studios, Inc.*, 650 F.2d 1365, 1375 (5th Cir. 1981); *Ferguson v. National Broadcasting Co., Inc.*, 584 F.2d 111, 113 (5th Cir. 1978). In some cases, persons who assisted in the infringement may be held liable for contributory infringement.

A contributory infringer is "one who, with knowledge of the infringing activity, induces, causes, or materially contributes to the infringing conduct of another." *Aitken, Hazen, Hoffman, Miller v. Empire Const. Co.*, 542 F.Supp 252 (D. Neb 1981) (emphasis added); *Universal City Studios, Inc. v. Sony Corp. of America*, 659 F.2d 963 (9th Cir. 1981) cert. granted 102 S.Ct 2926 (1982); *McMillian Co. v. I.V.O.W. Corp.*, 495 F.Supp 1134 (D. Vt. 1980)

A. Womack's claim for contributory negligence fails as a matter of law.

Womack alleges that SDT Defendants used Womack's architectural drawings and specificationis without Womack's permission. Therefore, Womack alleges that SDT Defendants is liable for contributory infringement. SDT Defendants obtained Womack's architectural drawings and specifications from Trammell Crow. Trammell Crow was given permission to use Womack's architectural drawings and specifications by the various Owner Architect Agreements.

Womack's claims against SDT Defendants for contributory infringement depend on whether Womack gave Trammell Crow permission to re-use the architectural

drawings at other sites. If Trammell Crow has permission to re-use Womack's architectural drawings at other sites, then Womack waived its right to sue Trammell Crow for copyright infringement. As stated previously, SDT Defendants are only liable for contributory copyright infringement if SDT Defendants has knowledge of infringing activity, induces, causes, or materially contributes to the infringing conduct of another. *Aitken, Hazen, Hoffman, Miller v. Empire Const. Co.*, 542 F.Supp. at 252. Simply stated, there must be an underlying infringement for a contributory infringement claim to hold merit.

This Court has already determined that Trammell Crow and Womack's contractual re-use clause did grant a non-exclusive license for Trammell Crow to use Womack's architectural drawings at other sites:

> The language in [the re-use clause] expressly and unambiguously provides that Trammell Crow may 'use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites', emphasis added, if it properly compensates Womack + Hampton.

Amended Report and Recommendation at 8 (emphasis in original). Chief Judge Nowlin's February 19, 2003 Order expressly adopts this finding.[5] Womack waived its right to pursue a claim of copyright infringement against Trammell Crow due to the fact that Womack granted a license to use and copy its architectural drawings and specifications to Trammell Crow. Thus, Womack's copyright infringement claim against Trammell Crow fails as a matter of law. Furthermore, Womack's claims for contributory infringement against SDT Defendants must also fail as a matter of law due to the fact that any review or copying of

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[5] Order, February 19, 2003, at 3.

the drawings and specifications by SDT Defendants was pursuant to Trammell Crow's contractual agreement with Womack. Additionally, without an underlying copyright infringement by Trammell Crow, SDT Defendants can not be held liable for contributory infringement.

As evidenced by this Court's February 19, 2003 Order, Trammell Crow had permission to re-use Womack's architectural drawings and specifications for subsequent phases and other sites. Trammell Crow's license to use, copy or "cause to have copied" Womack's architectural drawings and specifications continued at the time Trammell Crow provided the drawings and specifications to SDT Defendants. Thus, SDT Defendants use of Womack's architectural drawings and specifications was pursuant to the contractual agreement that already existed between Womack and Trammell Crow. This Court has already determined that Trammell Crow had a license to use, copy or have copied, as was the case with SDT Defendants, so long as the copying was at the direction of Trammell Crow on subsequent phases and other sites. This is exactly the case here, SDT Defendants use of Womack's architectural drawings and specifications was subject to the license agreement between Womack and Trammell Crow. Therefore, Womack's cause of action for copyright infringement against SDT Defendants must fail as a matter of law.

B. There is no contractual relationship between SDT Defendants and Womack and as such Womack's claim for damages against SDT Defendants fails as a matter of law.

SDT Defendants have never entered into a contractual relationship with Womack. According to Judge Nowlin's Order, "the amount of damages Plaintiff may seek to recover is limited by the terms of the underlying contract, specifically by the terms of the subject Owner Architect

Agreements at issue in this case."[6] Due to the fact that Womack's damages are limited by the terms of the underlying contract and SDT Defendants were not a party to the subject contract, then Womack's claims against SDT Defendants should fail as a matter of law. In general "presumption is that parties contract only for themselves, and a contract will not be construed has having been made for the benefit of a third party unless it clearly appears that such was the intention of the parties." *Knox v. Ball*, 144 Tex. 402, 191 S.W.2d 17, 21 (Tex. 1945). Under Texas law, privity of contract is an essential element for recovery under a breach of contract theory. Generally, the maintenance of an action for breach of contract requires privity between the party damaged and the party sought to be held liable. *Willis v. Kerr-McGhee Oil Gas*, 2002 U.S. App. LEXIS 24932 (5th Cir. Tex. Oct. 29, 2002). Because SDT Defendants never entered into a contractual relationship with Womack, nor were they ever third party beneficiaries of a contract with Womack, then Womack's claim for damages based on contract theory should fail as a matter of law.

Summary Judgment should be granted in favor of SDT Defendants and against Womack on all of Womack's federal copyright claims and any claims for damages pursuant to the Owner Architect Agreement.

IV.

CONCLUSION

SDT Defendants submit that Womack's claims for contributory copyright infringement against SDT Defendants must fail as a matter of law. Accordingly, SDT Defendants respectfully request the Court enter summary judgment in their favor and against Plaintiff, Womack, on all of Womack's claims in this consolidation action.

---

[6] *Id.* at 4.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, JOHN P. CAHILL, JR, do hereby certify that a true and correct copy of the foregoing instrument has been forwarded to all counsel of record, listed below, on this the 5th day of March, 2003 by facsimile:

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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.	§
Plaintiff,	§
VS.	§
METRIC HOLDINGS LTD., et al.	§
Defendants.	§

CIVIL ACTION NO. A 01CA 59 1 JN
(Consolidated No. A-02 CV 793 JRN)

JURY TRIAL DEMANDED

PLAINTIFF WOMACK+HAMPTON ARCHITECTS, L.L.C.'S MOTION FOR RECONSIDERATION OF THE COURT'S FEBRUARY 19, 2003 ORDER
AND
REQUEST FOR ORAL HEARING

Plaintiff, Womack+Hampton Architects, L.L.C. (hereinafter "WHA"), herein moves for reconsideration of the Court's February 19, 2003 Order granting Defendants' Motion for Partial Summary Judgment on the Issue of Damages.

The Court's Order is wrong in several respects. First, the Court ignores the absence of any express language in the Owner/Architect Agreement which would allow Defendants to *modify* Plaintiff's copyrighted works. Absent *express* language of conveyance, all rights are presumed by law to remain in the copyright holder. 17 U.S.C. § 204.

The Court's Order also fails to address the issue that the re-use option presented in the Owner/Architect Agreement contemplated copying and re-use solely by WHA, *not any third party*. It is uncontroverted, however, that Defendants' copying, modification and re-use was undertaken by third parties, and thus exceeded the scope of any license granted under the Owner/Architect Agreement.

Finally, the Court's Order fails to recognize the presence of genuine issues of material fact that preclude the entry of judgment. Specifically, the Court's assumption that the parties "contemplated" the conveyance of certain rights is predicated upon a controverted issue of material fact. As such, summary judgment is improper.

WHA respectfully requests that the Court reconsider its February 19, 2003 Order and deny Defendants' Motion for Summary Judgment on the Issue of Copyright Damages.

I.
ISSUES THE BASIS OF PLAINTIFF'S MOTION FOR RECONSIDERATION

WHA moves for reconsideration on the basis of the following issues:

(1.) None of the Owner/Architect Agreements include language which permitted a modification of WHA's architectural works. Defendants admit, however, they did modify Plaintiff's copyrighted plans for use on other projects. Hence, Defendants' modification was beyond the scope of any license granted under these Agreements;

(2.) None of the Owner/Architect Agreements include language which permitted a re-use by anyone other than WHA. Defendants admit, however, that third parties did copy, re-use and modify WHA's plans.

Hence, Defendants' re-use was again beyond the scope of any license conveyed under these Agreements;

(3.) A controverted fact issue exists as to whether Plaintiff intended to convey rights to modify its plans and whether such modification and re-use could be performed by others under the Owner/Architect Agreements.

II.
ARGUMENT

A. The Court Has Failed To Follow The Copyright Act's Prescription That The Transfer Of Rights Be Specifically And Expressly Set Forth

The Court has committed error in adopting the Reports and Recommendations ("Reports") of the Magistrate Judge,[1] where such Reports on one hand imply language not presented in the Owner/Architect Agreements and on the other hand refuse to recognize the express language of such Agreements.

The Court's Order fails to recognize the strict requirements for a transfer of those rights which qualify for protection under the Copyright Statute. The Court found that Defendants' modification, copying and re-use was permitted under an *express license* conveyed under the Owner/Architect Agreement (Order at 3).[2]

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[1] Report and Recommendation of the United States Magistrate Judge as filed on January 10, 2002 [Dkt. No. 214] and Amended Report and Recommendation of the United States Magistrate Judge as filed on January 24, 2003 [Dkt. No. 2674].

An express copyright license is subject to 17 U.S.C. § 204(a) which sets forth:

> A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

See also, Radio Television Espanola S.A. v. New World Entertainment, Ltd., 183 F.3d 922, 926 (9th Cir. 1999)(a transfer of rights must comply with the writing requirements of 17 U.S.C. § 204(a)); *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 36 (2nd Cir. 1982)(a transfer of rights under a copyright requires a writing). The writing requirement of Section 204 "serves the goal of predictability and certainty of copyright ownership." *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 775 (7th Cir. 1996)(citing *Effects Assoc. v. Cohen*, 908 F.2d 555, 557-58 (9th Cir. 1990), *cert. denied*, 498 U.S. 1103 (1991)).

A transfer of rights protected by copyright will not be implied. Strict compliance with Section 204(a) is mandatory. *See, Inslaw, Inc. v. U.S.*, 40 Fed. Cl. 843, 854-55

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2 WHA reserves the issue of whether the Owner/Architect Agreements served to transfer any license to re-use and copy Plaintiff's copyrighted works. As set forth in prior papers filed with the Court, the Owner/Architect Agreements merely provided an option, unexercised by Defendants, to re-use and copy Plaintiff's copyrighted works. This option was necessarily a condition precedent to the transfer of any rights. Hence, Defendants' use, copying and modification was undertaken without the benefit of any license and thus constitutes an infringement of Plaintiff's copyrights in these works.

(Fed. Cl. 1998)(a transfer of rights under a copyright will not be implied absent express language of conveyance); *S.O.S., Inc v. Payday, Inc.*, 886 F.2d 1081, 1088 (9th Cir. 1989).

B. The Owner-Architect Agreements Did Not Address, Much Less License, The Modification Of Plaintiff's Copyrighted Plans; Thus, Defendants' Use Was An Unauthorized Derivative Work

The Court's February 19, 2003 Order fails to properly address the issue of Defendants' modification of Plaintiff's copyrighted plans. Defendants have admitted that they modified Plaintiff's copyrighted works for use on other sites.[3] As such, Defendants have admitted they used Plaintiff's copyrighted works to create *derivative works.*

A "derivative work" is defined at 17 U.S.C. § 101 as "a work based upon one or more preexisting works" or "any other form in which a work may be recast, transformed, or adapted." *See Quintanilla v. Texas Television, Inc.*, 139 F.3d 494, 500 (5th Cir. 1998). The Copyright Act provides that "anyone who violates any of the exclusive rights of the copyright owner . . . is an infringer of the copyright". 17 U.S.C. § 501(a). Title 17 U.S.C. § 106 codifies the various rights a copyright holder possesses: "[T]he owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

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[3] *See* Plaintiff, Womack+Hampton's Response and Opposition to Crow Defendants' Motion for Partial Summary Judgment On The Issue of Damages and Cross-Motion for Partial Summary Judgment That Plaintiff Is Entitled to Damages for Copyright Infringement as filed on June 5, 2002 [Dkt. No. 76].

> "(1.) to reproduce the copyrighted work in copies or phonorecords;
>
> "(2.) *to prepare derivative works based upon the copyrighted work;*
>
> "(3.) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
>
> "(4.) in the case of literary, musical, dramatic and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
>
> "(5.) in the case of literary, musical, dramatic and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
>
> "(6.) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission".

(emphasis added). *See also, Stewart et al. v. Abend, d/b/a Authors Research Co.*, 495 U.S. 207, 220-21 (1990).

The right to prepare a derivative work is one of the six rights arising under the Copyright Statute, title to which, if not expressly transferred, remains vested in the copyright holder. *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 258

(5th Cir. 1988)(The "owner of a copyrighted work has the exclusive right to reproduce the work in copies, to prepare derivative works based on the copyrighted work, to distribute copies of the work to the public, and, in the case of certain types of works, to perform and display the work publicly."); *Valente-Kritzer Video v. Pinckney*, 881 F.2d 772, 774 (9th Cir. 1989); *cert. denied*, 493 U.S. 1062 (1990).

As the undisputed owner of the copyrights in the architectural works, WHA possessed the exclusive rights to prepare derivative works from their plans. 17 U.S.C. § 106 (2); *Stewart v. Abend*, 495 U.S. at 220. Because WHA possessed the exclusive rights in the copyrighted works, in order for Defendants to have lawfully prepared a derivative work from WHA's copyrighted plans, they needed express, written authorization from WHA in a manner comporting with 17 U.S.C. § 204(a).

The Court erred when it ignored the absence of any express language in any of the Owner-Architect Agreements authorizing Defendants to use Plaintiff's copyrighted plans to create a derivative work. In his October 10, 2002 Report and Recommendation, the Magistrate Judge held that the re-use of Plaintiff's copyrighted works "*necessarily contemplates* modification of the drawings and specifications to adapt the plans to other sites" (RRM at 8). This Court adopted this erroneous holding (Order at 3)(emphasis added).

This issue has been expansively addressed by other courts. In the seminal case of *S.O.S., Inc. v. Payday, Inc.*, the Ninth Circuit held that a copyright transfer will not be found absent *express language of conveyance*. In its holding, the Ninth Circuit found that a conveyance to a copyrighted work must be construed according to its literal terms with all subject matter *not expressly conveyed* reserved in the copyright holder. *S.O.S. Inc.*, 886 F.2d at 1088.

In its Order, the Court held that *S.O.S. Inc.* did not apply because "the 're-use' clause in this case is much broader" (Order at 3). The apparent basis for the Court's distinction was that the language in the Owner/Architect Agreement spoke to potential re-use, after the negotiation of a re-use contract and the payment of a re-use fee, "on subsequent phases or other sites" (*Id.*). However, this language from the Owner/Architect Agreement does not support the Court's conclusion since at least a fact issue is raised as to whether it is possible to re-use plans absent any modification.[4] Indeed, the Court's conclusion, which plainly ignores the absence of language of conveyance of anything but a right to copy and re-use, is based solely on the *assumption* that by this language the parties intended to allow for modification "at other sites". As set forth at Section D, below, the issue of the parties' intent also presents a fact issue which also precludes the entry of judgment.

Even if the Court continues to ignore the holding in *S.O.S. Inc.*, it cannot ignore the holding in *Gilliam v. ABC, Inc.*, 538 F.2d 14 (2nd Cir. 1976) which is literally on all fours with the facts at bar. In *Gilliam*, ABC acquired the right to air excerpts from several Monty Python programs. The instruments conveying the license for ABC to use these programs did not expressly allow ABC to edit these programs. Nevertheless, ABC proposed to broadcast edited versions of these excerpts as a derivative work. Monty Python sued to enjoin the proposed airing of this derivative work as beyond the scope of the license. The Second Circuit found that ABC's creation of a derivative work exceeded the scope of the license and thus constituted an infringement of the copyrights in the original work:

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[4] This is plainly the case, since "use" can take a variety of forms and need not apply to that ultimate use from which a physical project is built.

> The rationale for finding infringement when a licensee exceeds time or media restrictions on his license - - the need to allow the proprietor of the underlying copyright to control the method in which his work is presented to the public - - applies equally to the situation in which a licensee makes an unauthorized use of the underlying work by publishing it in a truncated version. Whether intended to allow greater economic exploitation of the work, as in the media and time cases, or to ensure that the copyright proprietor retains a veto power over revisions desired for the derivative work, the ability of the copyright holder to control his work remains paramount in our copyright law. *We find, therefore, that unauthorized editing of the underlying work, if proven, would constitute an infringement of the copyright in that work similar to any other use of a work that exceeded the license granted by the proprietor of the copyright.*

Gilliam, 538 F.2d at 21. (emphasis added).

The Owner/Architect Agreements, however, do not include any language which may be construed as transferring the right to create a derivative work to a third party. The operative language of Section IX(B) of each Owner/Architect Agreement is set forth below:

> B. The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of

> $150.00 per unit (base architectural fee), plus engineering services, plus contingent additional hourly charge and expenses for plan modifications necessary to adapt these plans and specifications to other sites.

(Owner/Architect Agreement; Section IX (B)).

There is an utter absence of any express language in the Owner/Architect Agreements which allows for the modification of Plaintiff's copyrighted plans.[5] In this connection, nowhere in these Agreements is there any reference to modification, revision or the creation of a derivative work. In the October 10, 2002 Report and Recommendation, the Magistrate Judge resolved the absence of any language of conveyance of rights to create a derivative work by *implying* a license based on what he *assumed* the parties "contemplated":

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[5] Defendants themselves recognized any authority for them to modify Plaintiff's architectural works. In this connection, on all prior occasions, Defendants entered into a *separate agreement* that provided for the modification of Plaintiff's works on other sites.

> Such use of the drawings and specifications on other phases and sites necessarily *contemplates* modification of the drawings and specifications to adopt the plans to other sites. Therefore, the Court concludes that modifications to the drawings, designs or specifications, identified by Womack+Hampton as derivative works, fall within the scope of the Re-Use clause of the operative Agreements in this case.

(RRM at 8)(emphasis added).[6]

This erroneous conclusion was adopted by this Court in its February 19, 2003 Order (Order at 3).

The nature of that error committed by both the Magistrate Judge and this Court is apparent if one further reviews the Second Circuit's opinion in *Gilliam*. In *Gilliam*, ABC likewise contended that while the underlying copyright license did not expressly allow modification of the copyrighted work, the court should read the license to take into account what the parties *contemplated* at the execution of the Agreement. Identical to that position adopted by the Magistrate Judge and this Court, ABC argued that the programs, in unmodified form, had little use and thus a conveyance should be implied. Restated, in the contract at issue in *Gilliam*, there was no language expressly conveying a right to make a derivative work. However, ABC argued that the circumstances of the transferring required that the

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[6] By this holding, the Magistrate Judge presumably accepted Defendants' argument that the re-use of Plaintiff's copyrighted plans at other sites necessarily involved modification. As set forth above, this conclusion is predicated on a disputed issue of fact. Moreover, even in the absence of a fact issue (which Plaintiff by no means concedes), this argument still fails for want of express, unequivocal language of conveyance. *Inslaw, supra.*

court imply language transferring the right to create a derivative work. The Second Circuit found these arguments unpersuasive and declined the invitation to usurp Section 204's requirement for an express writing memorializing a transfer of rights:

> Finally, ABC contends that appellants must have expected that deletions would be made in the recordings to conform them for use on commercial television in the United States. *ABC argues that licensing in the United States implicitly grants a license to insert commercials in a program and to remove offensive or obscene material prior to the broadcast.* According to the network, appellants should have anticipated that most of the excised material contained scatological references inappropriate for American television and that these scenes would be replaced with commercials, which presumably are more palatable to the American public.
>
> * * *
>
> Several of the deletions made for ABC, such as elimination of the words "hell" and "damn," seem inexplicable given today's standard television fare. If, however, ABC honestly determined that the programs were obscene in substantial part, it could have decided not to broadcast the specials at all, or it could have attempted to reconcile its differences with appellants. *The network could not, however, free from a claim of infringement, broadcast in a substantially altered form a program incorporating the script over which the group had retained control.*

Gilliam, 538 F.2d at 23 (emphasis added).

No argument can be made that the license in *Gilliam* is broader than the option in the Owner/Architect Agreements. The issue in *Gilliam* also spoke to the use of a pre-existing work in a context which could be construed to require modification. In fact, ABC urged that re-use in the United States necessarily required modification. Notwithstanding, *Gilliam* confirms that absent an *express* conveyance of the right to modify, the right to create a derivative work will not be implied, regardless of what may or may not have been "contemplated" by the parties.[7] *See also, Oddo v. Ries*, 743 F.2d 630, 634 (9th Cir. 1984)(a license to use articles in a manuscript held not to transfer the right to create a derivative work).

Gilliam clearly addresses a critical error presented in the Court's Order. The mere fact that the re-use option presented in the Owner/Architect Agreements spoke to the use of Plaintiff's copyrighted plans on "other sites" does not allow the Court to engraft an unexpressed transfer of rights to Defendant to create a derivative work. Like ABC, the Crow Defendants had an option: to not re-use Plaintiff's copyrighted plans or negotiate with WHA over the scope of the copyright license. The Crow Defendants' failure to choose either of these options now exposes them to an action for copyright infringement.

As a matter of law, absent a license to create a derivative work, Defendants' modification of Plaintiff's copyrighted plans was beyond the scope of any license and gives rise to an action for copyright infringement and copyright damages. *See, Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1121 (9th Cir. 1999)(a licensee acting outside the scope of a license is subject to an action for

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[7] As set forth at Subsection D, what the parties in fact contemplated is a highly contested issue of fact which, without more, renders summary judgment inappropriate.

copyright infringement); *I.A.E., Inc. v. Shaver*, 74 F.3d at 775; *S.O.S. Inc.*, 886 F.2d at 1087 ("A licensee infringes the owner's copyright if its use exceeds the scope of its license"); *Adobe Sys., Inc. v. One Stop Micro, Inc.*, 84 F.Supp. 2d 1086, 1092 (N.D. Cal. 2000).

C. The Owner/Architect Agreements Do Allow Copying Or Use By Anyone Other Than WHA

While the Court relied upon "implied" language to satisfy Section 204's requirement for a writing in the transfer of rights to create a derivative work, the Court altogether failed to address the absence of *any* language in the Owner/Architect Agreements which would allow anyone *other than WHA* to modify and re-use the subject works.

By its express terms, the Owner/Architect Agreements provided that any re-use of WHA's copyrighted works must be undertaken only by *WHA*. Section IX(B) of each Owner/Architect Agreement set forth that:

> B. The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of $150.00 per unit (base architectural fee), *plus engineering services, plus contingent additional hourly charge and expenses for plan modifications necessary to adapt these plans and specifications to other sites.*

(Owner/Architect Agreement; Section IX (B))(emphasis added).

The plain language appearing in Section IX(B) of the Owner/Architect Agreements provides that the Crow Defendants, upon exercising the option by paying the re-use fee (which the Crow Defendants admit was never exercised), would then pay WHA for "engineering services, plus contingent additional hourly charge and expenses for plan modifications necessary to adapt these plans and specifications to other sites". WHA were the only architects who were authorized to re-use and copy the copyrighted plans and specifications since the Crow Defendants would not otherwise be paying WHA for "engineering services", "contingent additional hourly charges", and "expenses" had these services been performed by third parties. Plainly, Defendants' commitment to pay WHA, which was expressed in the Agreement, arose solely because WHA were the only architects involved in the re-use and copying of the subject plans.[8]

If the Court seeks to construe the parties' intent under the Owner/Architect Agreements, then the express language of Section IX(B) of these Agreements removes any doubt that even if the right to re-use were deemed to have been transferred to Defendants (as found by the Court but disputed by WHA), the parties *expressly* intended that the only architects who could re-use and copy the plans were WHA. The Court is not free to read out the plain, unambiguous language of Section IX(B) to hold otherwise, and its attempts to do so constitutes error.

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[8] There is simply no other explanation for this express payment obligation, and Defendants have not even hazarded an alternate explanation.

It is uncontroverted that the Crow Defendants hired Defendant Chiles Architects et al., not WHA, to re-use and modify Plaintiff's copyrighted works on the project for the Reserve at NorthBend. It is further uncontroverted that the Crow Defendants retained Defendant SDT Architects et al. to modify Plaintiff's copyrighted plans for the Reserve at Los Rios. Even under the most liberal interpretation of the Owner/Architect Agreements, the Crow Defendants' use of architects other than WHA exceeds the scope of the license which the Crow Defendants purportedly received under the Owner/Architect Agreements. This action, indisputably outside the scope of the purported license, provides independent grounds for finding that the Crow Defendants infringed Plaintiff's copyrights and are thus liable for copyright damages. *Sun Microsystems Inc.*, 188 F.3d at 1121; *S.O.S. Inc.*, 886 F.2d at 1087; *Adobe Sys. Inc.*, 84 F.Supp. 2d at 1092.

D. Genuine Issues Of Material Fact Preclude The Entry Of Judgment

Aside from the aforementioned legal errors committed by this Court in addressing the scope of that license purportedly granted under the Owner/Architect Agreement, this Court also erred when it adopted the Magistrate Judge's conclusion in the October 10, 2002 Report and Recommendation that:

> Such use of the drawings and specifications on other phases and sites necessarily contemplates modification of the drawings and specifications to adopt the plans to other sites. Therefore, the Court concludes that modifications to the drawings, designs or specifications, identified by Womack+Hampton as derivative works, fall within the scope of the Re-Use clause of the operative Agreements in this case.

(RRM at 8).

WHA submitted sworn testimony that it was *not the intent nor the purpose* of the Owner/Architect Agreement to transfer the rights to create a derivative work from WHA's copyrighted plans. *See* Hampton Decl. at ¶ 8 and ¶ 10, as filed in support of Plaintiff Womack+Hampton Architects, L.L.C.'s Response And Opposition To Crow Defendants' Motion For Partial Summary Judgment On The Issue of Laches And Cross-Motion For Partial Summary Judgment That Plaintiff Is Entitled To Damages For Copyright Infringement [Dkt. No. 85].

However, the Court's February 19, 2003 Order adopted as *uncontroverted* a fact issue as to what the parties intended under the Owner/Architect Agreements. The contemplation and intent of the parties, however, was (and

is) subject to vigorous dispute.[9] Hence, the Court's decision granting summary judgment is improper and should be vacated. *See Williams v. Time Warner Operation, Inc.*, 98 F.3d 179, 182-83 (5th Cir. 1996)(if genuine issues of material fact existed, granting of summary judgment is improper); *Playboy Enters. v. Webbworld, Inc.*, 968 F.Supp. 1171, 1175 (N.D. Tex. 1997), *aff'd*, 168 F.3d 486 (1999).

E. Request for Oral Hearing

WHA requests an oral hearing on its Motion for Reconsideration.

III.
CONCLUSION

For the reasons set forth above, the Court's February 19, 2003 Order adopting the Report and Recommendations of the Magistrate Judge is in error. The Court should therefore vacate its Order and deny Defendants' Motion for Summary Judgment on the Issue of Damages.

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[9] WHA maintains its position that the clear language of the Owner/Architect Agreements evidenced an intent by the parties that no rights to re-use or copy passed absent execution of the re-use option; no right to modify passed under any circumstances absent an independent agreement; and, any re-use or copying was to be performed by WHA. The Magistrate Judge, however, has attempted to imply intent not presented in the Owner/Architect Agreements, apparenty under the theory that the contract is somehow ambiguous.

Respectfully submitted,

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ATTORNEYS FOR PLAINTIFF
WOMACK+HAMPTON
ARCHITECTS, L.L.C.

CERTIFICATE OF SERVICE

I certify that a true and correct copy of Plaintiff Womack+Hampton Architects, L.L.C.'s Motion For Reconsideration Of The Court's February 19, 2003 Order And Request For Oral Hearing has been served on the following counsel of record via United States first-class mail, on this the 4th day of March, 2003:

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_____

Gregory M. Luck

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.,

Plaintiff,

vs.

METRIC HOLDINGS, LTD., PARTNERSHIP, CHILES ARCHITECTS, INC. and TRAMMELL CROW RESIDENTIAL COMPANY,

Defendants.

CIVIL ACTION NO. A01CA591 JN
Consolidated with
CIVIL ACTION NO. A 02CA793 JRN

DEFENDANTS CAI AND CHILES' SECOND MOTION FOR SUMMARY JUDGMENT

As this court is aware, on February 19, 2003, Chief United States District Judge Nowlin adopted Magistrate Judge Capelle's Amended Report and Recommendation concerning the application and interpretation of the re-use clause at issue in this case.[1] That Order, *inter alia*, finds that the Re-Use agreement was a contract which created a license from Womack & Hampton Architects, Inc. ("WHA") for

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[1] *See* Order filed February 19, 2003 (Clerk's Doc. #304). In order not to overly burden the court and only insofar as they are relevant, CAI/Chiles incorporates the evidence supporting its Response filed February 19, 2003 to WHA's Objections to the Amended Report and Recommendation and the Exhibits from Crow's Motion for Partial Summary Judgment on the Issue of Damages (Clerk's Doc #69).

Defendant Trammell Crow Residential Company ("Crow") to reuse the plans, albeit with payment of a reuse fee. Based on that Order, Defendants Chiles Architects Inc. and Gary Chiles, individually (collectively, "Chiles"), hereby move for summary judgment.

I. BACKGROUND

Plaintiff WHA is an architectural firm with principal offices in Dallas, Texas. In or about the year 1997, WHA undertook to provide architectural services to Crow. In its agreement with Crow, WHA expressly permitted Crow to reuse its drawings of a residential apartment complex at will, providing only that if Crow did reuse any of WHA's work product, WHA would be reimbursed a set price per apartment unit by Crow. The apartment project plaintiff was designing for Crow was to be located in the Houston metropolitan area and was to be known as the "Windfern". On January 13th, 1998, Crow sent a set of schematic drawings to Chiles and asked Chiles to begin the design of an apartment complex to be constructed in the Austin metroplex, which is now named "The Reserve at North Bend." At that time, Crow indicated- - and the District Court recently found- - that Crow was permitted under its agreement with WHA to let Chiles use the unit layouts in its creation of the architectural plans for the Reserve at North Bend.

Chiles was not a party to Crow's agreement with WHA and thus cannot be held liable for the re-use fee under that contract. As such, Chiles is entitled to summary judgment.

II. STANDARD OF REVIEW

Summary judgment should be granted under Fed. R. Civ. P. 56(c) "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with

affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." The party seeking summary judgment bears the burden of showing that there is an absence of evidence to support the non-movant's case. *Celotex Corp. v. Catrett*, 477 U.S. 317, 106 S. Ct. 2548, 2553-54 (1986); *Morrison v. Chilton Professional Automotive, Inc.*, 984 F. Supp. 1018, 1019 (W.D. Tex. 1997).

III. ARGUMENT

Because Chiles had permission to use the plans under a valid license, WHA cannot state a claim for copyright infringement. WHA does not assert any other claim against CAI or Chiles other than as related to copyright infringement, therefore summary judgment should be granted.

A. Chiles' Use Was Not Copyright Infringement.

The Re-use agreement in this case provides:

> The Owner agrees not to use, copy or cause to have copied, the drawings and specifications prepared for this project in subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon [sic] of $150.00 per unit (base architectural fee) plus contingent additional hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites.

The District and Magistrate Court properly concluded that the plain meaning of this provision is that the parties agreed that the Owner (Crow) could re-use the

drawings and specifications for the price of $150.00 per unit, thus creating a non-exclusive license for re-use.[2]

An implied license does not transfer the ownership of a copyright; rather, it permits the use of a copyrighted work in a particular manner.[3] The existence of a nonexclusive license constitutes an affirmative defense to an allegation of copyright infringement.[4] A non-exclusive licensee may permit others to use the items covered by the license if such use is consistent with or contemplated by the original license.[5]

In this case, Crow is obviously not an architect or an architectural firm. Thus, any re-use necessarily contemplated the involvement of another architect to create the final plans. Such reuse and modification of the plans was found by the Court to fall within the scope of the reuse clause of the operative agreements in this case. Thus Chiles, as a sublicensee of Crow, was acting within the scope of the license when it drew the plans for the Austin project. Summary judgment on the copyright claims should be granted.

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[2] *See, e.g., Foad Consulting Group, Inc. v. Musil Govan Azzalino, Architectural Development* 270 F.3d 821, 829-30 (9th Cir. 2001) (determining architectural copyright was not infringed because non-exclusive license arose under state law); *Effects Associates, Inc. v. Cohen*, 908 F.2d 555 (9th Cir. 1990), *cert. denied*, 498 U.S. 1103 (1991) (same).

[3] *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 775 (7th Cir. 1996).

[4] *Nelson-Salabes, Inc. v. Morningside Dev., LLC*, 284 F.3d 505.

[5] *I.A.E. Inc. v. Shaver*, 74 F.3d at 777-78.

B. Summary Judgment for the Entire Case is Proper Because WHA does not Assert any Claims other than for Copyright Infringement

Although the February 19, 2003 Order indicates that WHA possibly has a claim for breach of contract against Crow based on non-payment of the license fee, that contract is between Crow and WHA and does not involve CAI or Chiles. In addition, WHA has repeatedly and specifically limited its claim to one for copyright infringement.[6] *See* WHA's Original, First, Second, Third and Fourth Amended Complaints, which all specifically state "This is an action for copyright infringement arising under the Copyright Act of 1976, 17 U.S.C. § 101 *et seq.*, and specifically the Architectural Works Copyright Protection Act, as enacted on December 1, 1990." The "Counts" in each of the Complaints all relate to copyright infringement, however, those claims are no longer viable as a result of the February 19, 2003 Order.

Based on the foregoing, WHA's claims against Chiles for copyright infringement should be dismissed. Because WHA has neither identified nor plead any other claims against CAI or Chiles, summary judgment in CAI and Chiles' favor should be granted.

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[6] The reason for the artful pleading is obvious. WHA sought to recover tens of millions of dollars for the alleged copyright infringement while, if the case was characterized as it should have been as a breach of contract, WHA's damages were limited to at most the re-use fees, which are approximately $52,000 for the first suit.

IV. REQUEST FOR ATTORNEY'S FEES AND PRAYER FOR RELIEF

Chiles requests that it be awarded its attorneys' fees. The Copyright Act provides that in a copyright infringement action a court may award a reasonable attorney's fee to a prevailing defendant as part of the costs. 17 U.S.C.S. § 505; *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533 (1994).

In *Fogerty*, the Supreme Court highlighted a list of non-exclusive factors to guide the district court's exercise of discretion in awarding fees, including "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Id.* at 533 n. 19. An award of attorneys' fees in this case is appropriate because Hampton + Womack either was aware or should have been aware that its claim was frivolous and unreasonable because the use was covered by a license.

CAI/Chiles respectfully pray that upon further hearing they be awarded their damages, costs, and attorneys' fees, and prays for such other and further relief to which it may be entitled.

V. CONCLUSION

Bases on the foregoing, Defendants CAI and Chiles respectfully pray that summary judgment be granted and that this court set a hearing concerning an award of attorneys' fees.

Respectfully submitted,

FRITZ, BYRNE, HEAD & HARRISON, L.L.P.

By: /s/ Rick Harrison

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ATTORNEYS FOR CHILES ARCHITECTS, INC. and GARY CHILES

CERTIFICATE OF SERVICE

I hereby certify that on the 27th day of February, 2003 a true and correct copy of the foregoing document was served on the following:

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/s/ Rick Harrison
Rick Harrison

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.,

Plaintiff,

vs.

METRIC HOLDINGS, LTD., PARTNERSHIP, *et al*,

Defendants.

CIVIL ACTION NO. A-01-CV-591 JRN
(Consolidated with A-02-CV-793-JRN)

MOTION FOR SUMMARY JUDGMENT OF TRAMMELL CROW DEFENDANTS

COME NOW the Trammell Crow Defendants ("Crow Defendants")[1] and respectfully move for entry of summary judgment in their favor and against Plaintiff Womack+Hampton Architects, L.L.C. ("Womack") on all of Plaintiffs claims for copyright infringement, inducement,

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[1] The Crow Defendants are the following named Defendants in Civil Action No. A-0 l-CV-591 JRN and/or Civil Action No. A-02-CV-793 JRN: Trammell Crow Residential Company, TCROperating Company, Inc., Metric Holdings Limited Partnership, TCR Metric L.P., South Central RS, Inc., TCR South Central, Inc., TCR South Central 1995, Inc., TCR South Central Division L.P., TCR Metric Construction Ltd. Partnership, Robert Buzbee, Lewis Bunch, Kenneth J. Valach, Perry Wilson, Chris Wheeler, J. Ronald Terwilliger, TCR Los Rios Limited Partnership, John Zeledon and Tim Hogan.

contributory infringement, and vicarious liability.[2] It is time that this lawsuit be brought to an end.

I. Undisputed material facts

Chief United States District Court Judge James Nowlin has accepted and adopted the January 24,2003 Amended Report and Recommendation of Magistrate Judge Capelle, and granted the Crow Defendants' Motion for Partial Summary Judgment on the Issue of Damages.[3] Concluding that the Crow Defendants' actions complained of in this lawsuit are encompassed by the parties' Owner Architect Agreements, Chief Judge Nowlin ordered that "[t]he amount of damages Plaintiff may seek to recover is limited by the terms of the underlying contract, specifically by the terms of the subject Owner Architect Agreements at issue in this case."[4]

II. Statement of reasons and authorities

It is significant that, in his Order, Chief Judge Nowlin agreed with and accepted the Magistrate Judge's determination that the Crow Defendants' actions about which Plaintiff complains are within the scope of the parties'

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2 This Motion is filed in accordance with the February 21,2003 Order of Magistrate Judge Capelle. *See also* Motion for Summary Judgment of TCR Defendants filed January 17,2003 (#256), Motion for Summary Judgment of Trammell Crow Defendants in First Action filed January 28,2003 (#272).

3 Order, February 19, 2003.

4 *Id* at 4.

Owner Architect Agreements.[5] Chief Judge Nowlin's determination that the re-use clause in the parties' agreement is controlling in the instant dispute follows from his conclusion that Plaintiff granted a non-exclusive license to the Crow Defendants in the Owner Architect Agreements.

A. Plaintiffs claims fail as a matter of law

Central to a claim for copyright infringement is the unauthorized copying of a copyrighted work. *Kg., Feist Publications, Inc.* v. *Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). Womack alleges that the Crow Defendants copied Womack's architectural drawings and specifications without permission, and it claims copyright infringement and copyright damages.[6] However, if the purported copyright owner consented to the complained of copying, there cannot be a viable claim for copyright infringement. That is the case here.

All of Womack's claims hinge on a single legal issue: did the parties' contractual re-use clause grant a non-exclusive license to use Womack's architectural drawings at other sites? If it did, then Womack waived its right to sue for copyright infringement, as a matter of law. *See Graham* v. *James*, 144 F.3d 229, 236 (2d Cir. 1998) ("A copyright owner who grants a nonexclusive license to use his copyrighted

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5 "Womack+Hampton... argued that Trammel Crow's actions exceeded the scope of the agreement... The Magistrate rejected Womack+Hampton's argument. After a *de novo* review of the case, this Court finds the Report and Recommendation Is correct and should be adopted." Order, February 19,2003 at 3.

6 *See* Plaintiff's Third Amended Complaint, October 3, 2002, ¶¶ 23, 25, 26, 30, 33 (No. A-01-CV-591-JRN); Plaintiffs First Amended Complaint, August 21,2002, HI 17,22,23 (No. A-02-CV-793-JRN)

material waives his right to sue the licensee for copyright infringement"); *Sun Microsystems, Inc.* v. *Microsoft Corp.* 188 F.3d 1115,1121 (9th Cir. 1999) (quoting *Graham* for the proposition that the grant of a non-exclusive license waives the right to sue for copyright infringement); *Fantastic Fakes, Inc. v. Pickwick Int'l, Inc.*, 661 F.2d 479,483-84 (5th Cir. 1981) ("mere breach of covenant may support a claim of damages for breach of contract but will not disturb the remaining rights and obligations under the license including the authority to use the copyrighted material").

This Court has already determined that the parties' contractual re-use clause did grant a nonexclusive license to use Womack's architectural drawings at other sites:

> The language in [the re-use clause] expressly and unambiguously provides that Trammell Crow may 'use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites.' emphasis added, if it properly compensates Womack+Hampton.

Amended Report and Recommendation at 8 (emphasis in original). Chief Judge Nowlin's February 19,2003 Order expressly adopts this finding.[7]

By granting a license to use and copy its architectural drawings and specifications, Womack waived its right to pursue a federal copyright action. As a result, all of Plaintiff s federal copyright claims against the Crow Defendants fail as a matter of law.

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7 "After a *de novo* review of the case, this Court finds the Report and Recommendation is correct and should be adopted." Order, February 19, 2003, at 3.

B. Because Plaintiffs claims fail as a matter of law, summary judgment is properly entered in favor of the Crow Defendants

Because Womack has waived its right to pursue a federal copyright action against the Crow Defendants, it follows that the Crow Defendants cannot have liability to Womack as copyright infringers. Summary judgment should therefore be entered in favor of the Crow Defendants and against Plaintiff Womack on all of Plaintiff s federal copyright claims.

Courts have regularly granted summary judgment to defendants when plaintiffs have attempted to pass off contract claims as copyright infringement claims.[8] *E.g., Jacob Maxwell, Inc. v. Veek,* 110 F.3d 749 (11th Cir. 1997) (summary judgment of non-infringement for defendant affirmed where non-exclusive license had been granted to play song); *RT Computer Graphics, Inc.* v. *United States,* 44 Fed. Cir. 747 (1999) (summary judgment of non-infringement for defendant; no infringement as a matter of law when copyright owner granted non-exclusive license to use its designs); *see also U.S. Naval Inst.* v. *Charter Communications, Inc.,* 936 F.2d 692, 695-96 (2d Cir. 1991) (violation of licensing agreement constituted breach of contract, not copyright violation); *Sun Microsystems, Inc. v. Microsoft Corp.; supra; Fantastic Fakes, Inc. v. Pickwick Int'l, Inc., supra.*

Plaintiff Womack has tried to pass off contract claims as copyright claims in this lawsuit. But its copyright claims are not viable. As Womack has brought only federal copyright claims against the Crow Defendants, summary judgment should be entered in favor of the Crow Defendants.

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[8] A plaintiff such as Womack would presumably make such an attempt in an effort to increase its damages claim. *See e.g.* 17 U.S.C. § 504.

IV. Conclusion

Crow Defendants submit that it follows logically from the February 19,2003 Order of Chief Judge Nowlin that Plaintiffs copyright claims are not viable and that entry of summary judgment in favor of the Crow Defendants is therefore proper. Accordingly, Crow Defendants respectfully request *the* Court enter summary judgment in their favor and against Plaintiff Womack on all of Plaintiffs claims in this consolidated action.

Respectfully submitted,

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By /s/ Richard D. Yeomans
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ATTORNEYS FOR TRAMMELL CROW DEFENDANTS

CERTIFICATE OF CONFERENCE

Counsel for Trammell Crow Defendants has conferred with counsel for Plaintiff by telephone (attorney Amy Hawk) and counsel for Plaintiff opposes this motion.

/s/ Richard D. Yeomans
Richard D. Yeomans

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing Motion for Summary Judgment of Trammell Crow Defendants was sent to:

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on the 24th day of February, 2003.

/s/ Richard D. Yeomans
RICHARD D. YEOMANS

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.,
Plaintiff,

V. A-01-CA-591JRN
(Consolidated A-02-CA-793JN)

METRIC HOLDINGS LTD., PARTNERSHIP, CHILES ARCHITECTS, INC., and TRAMMELL CROW RESIDENTIAL COMPANY, et al.,
Defendants.

AMENDED REPORT AND RECOMMENDATION OF THE UNITED STATES MAGISTRATE JUDGE

TO: THE HONORABLE JAMES R. NOWLIN
CHIEF UNITED STATES DISTRICT JUDGE

Before the Court are **Motion for Partial Summary Judgment of the Crow Defendants on Issue of Damages filed May 22, 2002 (Doc. #69); Plaintiff Womack+Hampton's Response and Opposition to Crow Defendants' Motion for Summary Judgment on the Issue of Damages and Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement filed June 5, 2002 (Doc. #76); Reply to Plaintiff's Response to Motion for Partial Summary Judgment of the Crow Defendants on Issue of Damages filed June 14, 2002 (Doc. #88);** and **Crow Defendants' Response to Plaintiff's Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement filed June 18, 2002 (Doc. #94)**. Following consolidation of the above-numbered cases, the undersigned issued an order requesting additional briefing on the issues raised in the motions in

light of the new parties and facts introduced by consolidation. On January 23, 2003, the following were filed by the parties and are now also before the Court for review and recommendation: **Crow Defendants' Additional Briefing Pursuant to Order Directing the Filing of Briefs (Doc. #261) and Plaintiff Womack+Hampton Architects, L.L.C.'s Response to Order Directing the Filing of Briefs (Doc. #259)**. These dispositive motions were referred by Chief United States District Judge James R. Nowlin to the undersigned for a Report and Recommendation as to the merits of the motions pursuant to 28 U.S.C. § 636(b), Rule 72 of the Federal Rules of Civil Procedure, and Rule 1(d) of Appendix C of the Local Rules of the United States District Court for the Western District of Texas. After reviewing the parties' pleadings, relevant case law, as well as the entire case file, the undersigned issues the following Amended Report and Recommendation to the District Court, which replaces in its entirety, the Report and Recommendation issued by this Court on October 10, 2002 (Doc. #214).

I. BACKGROUND

On September 6, 2001, Plaintiff Womack+Hampton Architects, L.L.C. ("Womack+Hampton") filed a complaint against Metric Holdings, Ltd. and Trammell Crow Residential Company alleging claims of unauthorized use and/or copying-of Womack+Hampton's copyrights for architectural drawings entitled: "Reserve at Cheyenne"; "Windfern"; "Cambria Place"; and "Reserve at Charles Place." The work that is the subject of Womack+Hampton's claims is an apartment complex in Austin, Texas, named "The Reserve at Northbend." On March 21, 2 002, Womack-Hampton amended it complaint to add a number of additional Defendants, which, added to the original two Defendants, are now collectively referred to as "Crow

Defendants" in this lawsuit.[1] Crow Defendants have asserted a number of affirmative defenses in their answer to Womack+Hampton's complaint.

On August 1, 2002, Womack+Hampton filed a complaint against Trammell Crow Residential, Trammell Crow Residential Company, TCR South Central 1995, Inc., SDT Architects, Inc., Robert Buzbee, Lewis Bunch, Thomas Stovall, Jerry Daniels, Tim Hogan and John Zeledon in the Southern District of Texas. Subsequently, the following Defendants were added to the case: TCR Los Rios Limited Partnership Company, Kenneth J. Valach and Perry K. Wilson. On December 3, 2002, United States District Judge Kenneth M. Hoyt issued a Memorandum and Order transferring the action to the Western District of Texas. On January 17, 2003, Chief United States District Judge James R. Nowlin issued an order consolidating the two cases (Doc. #250) . On that same date, the undersigned issued an order requesting additional briefing on the above-mentioned motions in light of the consolidation.

II. ANALYSIS

A. Standard of Review

Summary judgment is appropriate under Rule 56 (c) of the Federal Rules of Civil Procedure only "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." FED. R. CIV. P. 56 (c). A dispute is genuine only if the evidence is such that a reasonable jury could return a

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[1] Plaintiff subsequently filed a Third Amended Complaint on October 3, 2002. However, the third complaint does not contain any additional claims or parties.

verdict for the nonmoving party. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 106 S. Ct. 2505 (1986).

This Court will consider the summary judgment evidence in the light most favorable to the non-movant; however, the non-movant may not rely on mere allegations in the pleadings, but must respond to the motion by setting forth particular facts indicating that there is a genuine issue for trial. See Mississippi River Basin Alliance v. Westphal, 230 F.3d 170, 174 (5th Cir. 2000) (citing Anderson, 477 U.S. at 248-49). "After the non-movant has been given the opportunity to raise a genuine factual issue, if no reasonable juror could find for the non-movant, summary judgment will be granted." Id. (citing Celotex Corp. v. Catrett, 477 U.S. 317, 322, 106 S. Ct. 2548, 2552 (1986) and FED. R. CIV. P. 56(c)).

B. Parties' Contentions and Court's Determinations

In their motion for partial summary judgment, Crow Defendants assert that the architectural drawings at issue in this case were obtained from Womack+Hampton under Owner Architect Agreements that expressly contemplated further use of the drawings for other sites and projects in return for "proper compensation", as specified in the agreements. Therefore, Crow Defendants contend, Womack+Hampton's damages, if any, are limited by the express terms of those agreements. Because Womack+Hampton's damages are limited by contract, Crow Defendants' argue, Womack+Hampton cannot recover statutory copyright damages for copyright infringement.

In response, Womack+Hampton argues that the operative agreements. Crow Defendants' admissions, and the prior course of dealings between the parties prove that no licensing relationship for the re-use of

Womack+Hampton's architectural drawings existed between the parties. Therefore, Womack+Hampton asserts, Crow Defendants had no right to re-use or modify its copyrighted drawings, and their unauthorized derivative use and modification of those drawings entitles Womack+Hampton to damages for copyright infringement pursuant to 17 U.S.C. § 504. Thus, Womack+Hampton's response includes a cross-motion for summary judgment that it is entitled to damages for copyright infringement.

In response to Womack+Hampton's cross-motion for partial summary judgment, Crow Defendants argue that it is premature and based upon an erroneous premise. Indeed, Womack+Hampton filed a subsequent Motion for Summary Judgment on the Issue of Infringement on September 6, 2002 (Doc. #165), which is now pending before the undersigned Magistrate Court for Report and Recommendation. Therefore, the undersigned will recommend that the District Court deny at this time Womack+Hampton's cross-motion for partial summary judgment in light of Womack+Hampton's subsequent filing now pending before the Court and the reasoning below.

The summary judgment evidence shows that Womack+Hampton provided the Trammell Crow entities {"Trammell Crow") with architectural drawings for four projects that are the subject of this lawsuit. For each project, Womack+Hampton drafted an Owner Architect Agreement {"Agreement") that covered the use of Womack+Hampton's architectural -drawings by Trammell Crow. Each Agreement was signed by both Womack+Hampton and by Trammell Crow. Three of the four Agreements contained the following language specifically addressing ownership and re-use of Womack+Hampton's architectural drawings:

IX. OWNERSHIP AND RE-USE OF DOCUMENTS

A. The Drawings, Specification, and other documents prepared by the Architect for this project are the instruments of the Architect's service for use solely with respect to this project and the Architect shall be deemed the author of these documents and shall retain all common law, statutory, and other reserved right, including copyright.

B. The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of $150.00 per unit (base architectural fee), plus engineering services, plus contingent additional hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites.

The fourth Agreement includes identical language, except that it provides for payment of a base architectural fee of $250 per unit.

As summarized above, Crow Defendants argue that the language in the Agreements is unambiguous and its plain meaning provides that if Trammell Crow copies or re-uses Womack+Hampton's drawings, Womack+Hampton must be properly compensated based upon a mutually

agreed upon rate of $150 or $250 per unit, depending on the Agreement, plus additional expenses expressly listed. Thus, Crow Defendants assert, any relief for alleged unauthorized use is limited by the express language of the Agreement.

Womack+Hampton argues that Trammell Crow's use of the subject architectural drawings was outside the scope of the Agreements. Relying on a Ninth Circuit case, S.O.S.. Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989), Womack+Hampton asserts that Trammell Crow's preparation of "derivative works" based upon Womack+Hampton's copyrighted architectural drawings is not contemplated by the language in the Agreements. While the Court acknowledges that the language in the Agreements does preserve Womack+Hampton's right to copyright of its architectural drawings, the Court finds that the scope of the "right to use" language in the Agreements in the instant case is broader than the language in the contract at issue in S.O.S.

The Court in S.O.S. found that "[i]n the context of the parties' entire agreement, it is clear that the 'right to use' was not intended to refer to copyright use." 866 F.2d at 1088. In S.O.S., the defendant was granted only the right to use the software at issue in the contract, not to copy it. In the instant case, however, the scope of the "Re-Use" clause of the subject Agreements is much broader. The language in paragraph B. expressly and unambiguously provides that Trammell Crow may "use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites," emphasis added, if it properly compensates Womack+Hampton. Liability for unauthorized use, copying, or causing the drawings to be copies for subsequent phases or other sites, therefore, is limited to the mutually agreed upon base architectural fee specified in the Agreement, plus expenses also listed in the Agreement.

Womack+Hampton attempts to narrow the definition of "use" in the operative clause to authorize exact copying only. Womack+Hampton argues that any modification constitutes a derivative work not contemplated by the language of the Re-Use clause in the Agreements. As Crow Defendants point out, the operative language grants Trammell Crow the right to "use" the drawings and specifications on "subsequent phases or other sites." The Court agrees. Such use of the drawings and specifications on other phases and sites necessarily contemplates modification of the drawings and specifications to adopt the plans to other sites. Therefore, the Court concludes that modifications to the drawings, designs or specifications, identified by Womack+Hampton as derivative works, fall within the scope of the Re-Use clause of the operative Agreements in this case. Because the contracts at issue in the second, consolidated case also include the same contractual re-use language, the Court's conclusion applies to the contracts at issue in the newly consolidated case as well.

III. RECOMMENDATION

The undersigned **RECOMMENDS** that the District Court **GRANT** the Motion for Summary Judgment of the Crow Defendants on Issue of Damages and **ORDER** that the amount of damages Plaintiff may seek to recover be limited by contract, specifically by the terms of the subject Owner Architect Agreements at issue in this case.

The undersigned **FURTHER RECOMMENDS** that the District Court **DENY** Plaintiff's Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement.

IV. OBJECTIONS

The parties may file objections to this Report and Recommendation. A party filing objections must specifically identify those findings or recommendations to which objections are being made. The District Court need not consider frivolous, conclusive, or general objections. See Battle v. United States Parole Comm'n, 834 F.2d 419, 421 (5"h Cir. 1987).

A party's failure to file written objections to the proposed findings and recommendations contained in this Report within ten (10) days after the party is served with a copy of the Report shall bar that party from de novo review by the District Court of the proposed findings and recommendations in the Report and, except upon grounds of plain error, shall bar the party from appellate review of unobjected-to proposed factual findings and legal conclusions accepted by the District Court. See 28 U.S.C. § 636 (b) (1) (C); Thomas v. Arn, 474 U.S. 140, 150-53 (1985); Douglass v. United Servs. Auto. Assoc. , 79 F.3d 1415, 1428-29 (5th Cir. 1996) (en bane).

The Clerk is directed to send a copy of this Report and Recommendation to the parties by certified mail, return receipt requested.

SIGNED this 24th day of January, 2003.

/s/ Stephen H. Capelle
STEPHEN H. CAPELLE
UNITED STATES MAGISTRATE JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.,
Plaintiff,

v. A-01-CA-591JRN

METRIC HOLDINGS LTD., PARTNERSHIP, CHILES ARCHITECTS, INC., and TRAMMEL CROW RESIDENTIAL COMPANY, et al.,
Defendants.

REPORT AND RECOMMENDATION OF THE UNITED STATES MAGISTRATE JUDGE

TO: THE HONORABLE JAMES R. NOWLIN
CHIEF UNITED STATES DISTRICT JUDGE

Before the Court are Motion for Partial Summary Judgment of the Crow Defendants on Issue of Damages filed May 22, 2002 (Doc. #69); Plaintiff Womack+Hampton's Response and Opposition to Crow Defendants' Motion for Summary Judgment on the Issue of Damages and Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement filed June 5, 2002 (Doc. #76); Reply to Plaintiff's Response to Motion for Partial Summary Judgment of the Crow Defendants on Issue of Damages filed June 14, 2002 (Doc. #88) ; and Crow Defendants' Response to Plaintiff's Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement filed June 18, 2002 (Doc. #94). These dispositive motions were referred by Chief United States District Judge James R. Nowlin to the undersigned for a Report and Recommendation as to the merits of the motions pursuant to 28 U.S.C. § 636 (b). Rule 72 of the

Federal Rules of Civil Procedure, and Rule 1 {d} of Appendix C of the Local Rules of the United States District Court for the Western District of Texas. After reviewing the parties' pleadings, relevant case law, as well as the entire case file, the undersigned issues the following Report and Recommendation to the District Court.

I. BACKGROUND

On September 6, 2001, Plaintiff Womack+Hampton Architects, L.L.C. ("Womack+Hampton") filed a complaint against Metric Holdings, Ltd. and Trammell Crow Residential Company alleging claims of unauthorized use and/or copying of Womack+Hampton's copyrights for architectural drawings entitled: "Reserve at Cheyenne"; "Windfera"; "Cambria Place"; and "Reserve at Charles Place." The work that is the subject of Womack+Hampton's claims is an apartment complex in Austin, Texas, named "The Reserve at Northbend." On March 21, 2002, Womack-Hampton amended it complaint to add a number of additional Defendants, which, added to the original two Defendants, are now collectively referred to as "Crow Defendants" in this lawsuit.[1] Crow Defendants have asserted a number of affirmative defenses in their answer to Womack+Hampton's complaint.

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[1] Plaintiff subsequently filed a Third Amended Complaint on October 3, 2002. However, the third complaint does not contain any additional claims or parties.

II. ANALYSIS

A. Standard of Review

Summary judgment is appropriate under Rule 56 (c) of the Federal Rules of Civil Procedure only "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." FED. R. CIV. P. 56(c). A dispute is genuine only if the evidence is such that a reasonable jury could return a verdict for the nonmoving party. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 106 S. Ct. 2505 (1986).

This Court will consider the summary judgment evidence in the light most favorable to the non-movant; however, the non-movant may not rely on mere allegations in the pleadings, but must respond to the motion by setting forth particular facts indicating that there is a genuine issue for trial. See Mississippi River Basin Alliance v. Westphal, 230 F.3d 170, 174 (5th Cir. 2000) (citing Anderson, 477 U.S. at 248-49). "After the non-movant has been given the opportunity to raise a genuine factual issue, if no reasonable juror could find for the non-movant, summary judgment will be granted." Id. (citing Celotex Corp. v. Catrett, 477 U.S. 317, 322, 106 S. Ct. 2548, 2552 (1986) and FED. R. CIV. P. 56(c)).

B. Parties' Contentions and Court's Determinations

In their motion for partial summary judgment, Crow Defendants assert that the architectural drawings at issue in this case were obtained from Womack+Hampton under Owner Architect Agreements that expressly contemplated further use of the drawings for other sites and projects in return for "proper compensation" as specified in the agreements. Therefore, Crow Defendants contend,

Womack+Hampton's damages, if any, are limited by the express terms of those agreements. Because Womack+Hampton's damages are limited by contract, Crow Defendants' argue, Womack+Hampton cannot recover statutory copyright damages for copyright infringement.

In response, Womack+Hampton argues that the operative agreements, Crow Defendants' admissions, and the prior course of dealings between the parties prove that no licensing relationship for the re-use of Womack+Hampton's architectural drawings existed between the parties. Therefore, Womack+Hampton asserts, Crow Defendants had no right to re-use or modify its copyrighted drawings, and their unauthorized derivative use and modification of those drawings entitles Womack+Hampton to damages for copyright infringement pursuant to 17 U.S.C. § 504. Thus, Womack+Hampton's response includes a cross-motion for summary judgment that it is entitled to damages for copyright infringement.

In response to Womack+Hampton's cross-motion for partial summary judgment, Crow Defendants argue that it is premature and based upon an erroneous premise. Indeed, Womack+Hampton filed a subsequent Motion for Summary Judgment on the Issue of Infringement on September 6, 2002 (Doc. #165), which is now pending before the undersigned Magistrate Court for Report and Recommendation. Therefore, the undersigned will recommend that the District Court deny at this time Womack+Hampton's cross-motion for partial summary judgment in light of Womack+Hampton's subsequent filing now pending before the Court and the reasoning below.

The summary judgment evidence shows that Womack+Hampton provided the Trammell Crow entities ("Trammell Crow") with architectural drawings for four projects that are the subject of this lawsuit. For each project, Womack+Hampton drafted an Owner Architect Agreement ("Agreement") that covered the use of Womack+Hampton's architectural drawings by Trammell Crow. Each Agreement was signed by both Womack+Hampton and by Trammell Crow. Three of the four Agreements contained the following language specifically addressing ownership and re-use of Womack+Hampton's architectural drawings:

> IX. OWNERSHIP AND RE-USE OF DOCUMENTS
>
> A. The Drawings, Specification, and other documents prepared by the Architect for this project are the instruments of the Architect's service for use solely with respect to this project and the Architect shall be deemed the author of these documents and shall retain all common law, statutory, and other reserved right, including copyright.
>
> B. The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of $150.00 per unit (base architectural fee), plus engineering services, plus contingent additional hourly charges and expenses for plan modifications

> necessary to adapt these plans and specifications to other sites.

The fourth Agreement includes identical language, except that it provides for payment of a base architectural fee of $250 per unit.

As summarized above, Crow Defendants argue that the language in the Agreements is unambiguous and its plain meaning provides that if Trammell Crow copies or re-uses Womack+Hampton's drawings, Womack+Hampton must be properly compensated based upon a mutually agreed upon rate of $150 or $250 per unit, depending on the Agreement, plus additional expenses expressly listed. Thus, Crow Defendants assert, any relief for alleged unauthorized use is limited by the express language of the Agreement.

Womack+Hampton argues that Trammell Crow's use of the subject architectural drawings was outside the scope of the Agreements. Relying on a Ninth Circuit case, S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081 (9th Cir. 1989), Womack+Hampton asserts that Trammell Crow's preparation of "derivative works" based upon Womack+Hampton's copyrighted architectural drawings is not contemplated by the language in the Agreements. While the Court acknowledges that the language in the Agreements does preserve Womack+Hampton's right to copyright of its architectural drawings, the Court finds that the scope of the "right to use" language in the Agreements in the instant case is broader than the language in the contract at issue in S.O.S.

The Court in S.O.S. found that "[I]n the context of the parties' entire agreement, it is clear that the 'right to use' was not intended to refer to copyright use." 866 F.2d at 1088. In S. O. S., the defendant was granted only the right to use the software at issue in the contract, not to copy it. In the

instant case, however, the scope of the "Re-Use" clause of the subject Agreements is much broader. The language in paragraph B. expressly and unambiguously provides that Trammell Crow may "use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites," emphasis added, if it properly compensates Womack+Hampton. Liability for unauthorized use, copying, or causing the drawings to be copies for subsequent phases or other sites, therefore, is limited to the mutually agreed upon base architectural fee specified in the Agreement, plus expenses also listed in the Agreement.

Womack+Hampton attempts to narrow the definition of "use" in the operative clause to authorize exact copying only. Womack+Hampton argues that any modification constitutes a derivative work not contemplated by the language of the Re-Use clause in the Agreements. As Crow Defendants point out, the operative language grants Trammell Crow the right to "use" the drawings and specifications on "subsequent phases or other sites." The Court agrees. Such use of the drawings and specifications on other phases and sites necessarily contemplates modification of the drawings and specifications to adopt the plans to other sites. Therefore, the Court concludes that modifications to the drawings, designs or specifications, identified by Womack+Hampton as derivative works, fall within the scope of the Re-Use clause of the operative Agreements in this case.

III. RECOMMENDATION

The undersigned **RECOMMENDS** that the District Court **GRANT** the Motion for Summary Judgment of the Crow Defendants on Issue of Damages and **ORDER** that the amount of damages Plaintiff may seek to recover be limited by contract, specifically by the terms of the subject Owner Architect Agreements at issue in this case.

The undersigned **FURTHER RECOMMENDS** that the District Court **DENY** Plaintiff's Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled ~~to Damages~~ for Copyright Infringement.

IV. OBJECTIONS

The parties may file objections to this Report and Recommendation. A party filing objections must specifically identify those findings or recommendations to which objections are being made. The District Court need not consider frivolous, conclusive, or general objections. See Battle v. United States Parole Comm'n, 834 F.2d 419, 421 (5th Cir. 1987).

A party's failure to file written objections to the proposed findings and recommendations contained in this Report within ten (10) days after the party is served with a copy of the Report shall bar that party from de novo review by the District Court of the proposed findings and recommendations in the Report and, except upon grounds of plain error, shall bar the party from appellate review of unobjected-to proposed factual findings and legal conclusions accepted by the District Court. See 28 U.S.C. § 636 (b) (1) (C); Thomas v. Arn, 474 U.S. 140, 150-53 (1985); Douglass v. United Servs. Auto, Assoc. 79 F.3d 1415, 1428-29 (5th Cir. 1996) (en banc).

The Clerk is directed to send a copy of this Report and Recommendation to the parties by certified mail, return receipt requested.

SIGNED this 10th day of October, 2002.

/s/ Stephen H. Capelle
STEPHEN H. CAPELLE
UNITED STATES MAGISTRATE JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.	§
Plaintiff,	§
	§
VS.	§
	§
METRIC HOLDINGS LTD., PARTNERSHIP; CHILES ARCHITECTS, INC.; TRAMMELL CROW RESIDENTIAL COMPANY; TCR OPERATING COMPANY, INC.; TCR METRIC, L.P.; SOUTH CENTRAL RS, INC.; TCR SOUTH CENTRAL, INC.; TCR SOUTH CENTRAL1995, INC.; TCR SOUTH CENTRAL DIVISION L.P.; TCR METRIC CONSTRUCTION LTD. PARTNERSHIP; GARY CHILES; ROBERT BUZBEE; LEWIS BUNCH; KENNETH J. VALACH; PERRY WILSON; CHRIS WHEELER; J. RONALD TERWILLIGER Individuals	§
Defendants.	§

CIVIL ACTION NO. A 01CA 59 1 JN
JURY TRIAL DEMANDED

PLAINTIFF, WOMACK+HAMPTON'S RESPONSE AND OPPOSITION TO CROW DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT ON THE ISSUE OF DAMAGES AND CROSS-MOTION FOR PARTIAL SUMMARY JUDGMENT THAT PLAINTIFF'S IS ENTITLED TO DAMAGES FOR COPYRIGHT INFRINGEMENT

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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.	§
Plaintiff,	§
VS.	§
METRIC HOLDINGS LTD., et al.	§
Defendants.	§

CIVIL ACTION NO. A 01CA 59 1 JN
JURY TRIAL DEMANDED

PLAINTIFF, WOMACK+HAMPTON'S RESPONSE AND OPPOSITION TO "CROW DEFENDANTS'" MOTION FOR PARTIAL SUMMARY JUDGMENT ON THE ISSUE OF DAMAGES AND CROSS-MOTION FOR PARTIAL SUMMARY JUDGMENT THAT PLAINTIFF'S IS ENTITLED TO DAMAGES FOR COPYRIGHT INFRINGEMENT

Plaintiff, Womack+Hampton, L.L.C. ("Womack+Hampton"), herein submits its Response and Opposition to the Motion filed by the TCR Defendants (hereinafter "Crow Defendants or Defendants"), for Partial Summary Judgment on the issue of damages. Womack+Hampton also cross moves for partial summary judgment on the issue that the Crow Defendants are subject to liability for copyright infringement and that Plaintiff is therefore entitled to recover copyright damages.

Defendants' Motion should be denied on the basis that they have failed to satisfy their burden under Fed. R. Civ. P., Rule 56 to demonstrate the absence of any genuine

issue of material fact that would entitle them to a judgment as a matter of law that Womack+Hampton may not recover damages for copyright infringement.

Defendants' Motion is legally untenable as premised on an erroneous characterization of their right to re-use architectural works prepared by Plaintiff. Contrary to the facts recited and that authority relied upon by them, the TCR Defendants did not possess a license to re-use or modify Plaintiff's architectural works. In this connection, it is uncontroverted that while the operative contracts between the parties provided the Crow Defendants an *option* to acquire a license to use Plaintiff's copyrighted works, this option was never exercised. Absent such option, the TCR Defendants stand in no better stead than a naked infringer with respect to their wrongful use and modification of Plaintiff's architectural works. As a matter of law, therefore, Defendants are subject to liability for copyright infringement pursuant to 17 U.S.C. § 501 and Plaintiffs are entitled to recover copyright damages pursuant to 17 U.S.C. § 504.

For its Response, Plaintiff relies upon the Declarations of Charles R. Womack and R. Michael Hampton, the pleadings and such other evidence which may be presented at the hearing on Chiles' Motion.

I.
NATURE AND STAGE OF THE PROCEEDINGS

In a complaint filed on September 6, 2001, Womack+Hampton charged two TCR defendants, TRC and Metric, with infringement of Womack+Hampton's copyrights for architectural works entitled "THE RESERVE AT CHEYENNE" and "WINDFERN". The work that is the subject of Plaintiff's complaint is an apartment complex in Austin named "The Reserve at Northbend".

TCR and Metric responded to Womack+Hampton's complaint and denied infringement. These Defendants also asserted a number of affirmative defenses to bar Plaintiff's claims.

Plaintiff filed its Second Amended Complaint on March 21, 2002. In this Second Amended Complaint, Plaintiff added TCR Defendants Metric Holdings Limited Partnership; Chiles Architects, Inc.; Trammell Crow Residential Company; TCR South Central 1995, Inc., TCR Operating Company, Inc.; TCR Metric L.P.; South Central RS, Inc.; TCR South Central, Inc..; TCR South Central Division L.P.; TCR Metric Construction Ltd.; Gary Chiles; Robert Buzbee; Lewis Bunch; Kenneth J. Valach; Perry Wilson; Chris Wheeler; and J. Ronald Terwillinger. These Defendants are referred to herein as "the TCR Defendants."

II.
SUMMARY OF ARGUMENT

By this Motion, Defendants have now admitted that they copied and thus infringed Plaintiff's copyrights in architectural works. The focus of this action has therefore been distilled into the issue of whether Defendants are liable for infringement and damages under Title 17, United States Code.

Defendants' Motion should be denied on the basis that it relies upon an erroneous factual predicate that Plaintiff and Defendants entered into a licensing relationship for the re-use of Plaintiff's architectural works. As evidenced by the operative contracts and as confirmed by Defendants' admissions to its co-Defendants and by the prior course of dealings between the parties, it is uncontroverted that no such relationship existed. Consequently, and as a matter of law, the TCR Defendants had no right to re-use or modify Plaintiff's copyrighted works and thus their unauthorized use and modification of

these works gives rise to damages for copyright infringement pursuant to 17 U.S.C. § 504.

The TCR Defendants' failure to demonstrate the absence of genuine issues of material fact to support their argument for the exclusive application of contractual damages compels the denial of their Motion for Partial Summary Judgment. Conversely, and as a matter of law, the absence of genuine issues of material fact compels the entry of judgment that Plaintiff is entitled to recover a measure of damages for copyright infringement.

III.
ARGUMENT

A. The Standard for Granting Summary Judgment

On a motion for summary judgment, the moving party bears the burden of showing that there are no genuine issues of material fact and that the movant is entitled to judgment as a matter of law. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). In evaluating the merits of a motion for summary judgment, the district court must view all the evidence before it in a light most favorable to the nonmovant and must further draw all reasonable inferences in favor of the non-movant. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986); *TIG Ins. Co. v. Sedwick James of Wasington*, 276 F.3d 754, 759 (5th Cir. 2002).

A factual question is material if a reasonable jury could return a verdict for the nonmoving party based at least in part on its determination of the factual question. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. at 248. A genuine dispute is shown to exist if sufficient evidence is presented such that a reasonable fact finder could decide the question in favor of the nonmoving party. (*Id.*)

B. The TCR Defendants Were Not A Licensee of Plaintiff For The Re-use of Plaintiff's Architectural Works

Defendants' Motion is exclusively premised on the predicate that TCR is a licensee of Plaintiff for the re-use of those architectural works asserted by Plaintiff in this action, that they failed to pay the fee under this license, and are thus solely liable for breach of contract. (Mtn. at 8). It is only by making this strained argument that the line of authorities relied upon by Defendants have any application. This factual predicate, however, is erroneous.

In or about 1997-1998, one or more TCR Defendants commissioned Plaintiff to prepare architectural drawings and to render architectural services in connection with four projects designated: "WINDFERN," "RESERVE AT CHEYENNE", "CAMBRIA" and "RESERVE AT CHARLES PLACE". Defendants rendered professional services to Defendants for each of these projects under separate "Owner/Architect Agreements". (Exhibits "A" through "D" to Declaration of R. Michael Hampton). These Agreements, identical in all respects with respect to the issues raised in Defendants' Motion and Plaintiff's Cross-Motion[1], clearly and unambiguously provided that Plaintiff retained all rights in the copyrights in such works:

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[1] A separate contract was executed for each project. (*See* Exhibits "A" through "D" to Hampton Decl.). However, the operative portions of these contracts save a higher revenue fee for the Cambria, are substantively identical.

> A. The Drawings, Specifications, and other documents prepared by the Architect for this project are instruments of the Architect's service for use *solely with respect to this project* and the *Architect shall be deemed the author of these documents and shall retain all common law, statutory, and other reserved right, including copyright.* The Owner shall be permitted to retain copies including reproducible copies of the Architect's Drawings, Specifications, and other documents for information and reference in connection with the Owner's use and occupancy of the project. The Owner's rights to the Architect's Drawings, Specifications, and other Project related documents shall also extend to the Owner's Lender and Owner's equity partner, (as well as the partnership formed by Owner and such equity partner), and Architect shall, upon request, execute documents to confirm the right of such parties to have and use the Architect's Drawings, Specifications and other applicable project documents to the same extent as the Owner.

(Exhibit "A" to Hampton Decl.; Section IX (A)) (emphasis added).

These contracts further provided that all rights conveyed to TCR for those architectural works developed by Plaintiff under each contract were *expressly limited* to that project. (*Id.*)

Normal rules of contract construction are generally applied in construing a copyright license. *Kennedy v. National Juvenile Detention Assoc.*, 187 F.3d 690, 694 (7th Cir. 1999), *cert. denied*, 120 S. Ct. 1169 (2000). However, these rules of construction may not conflict with purposes underlying federal copyright law. *Cohen v. Paramount Pictures Corp.*, 845 F.2d 851, 854 (9th Cir. 1988)[2]. Thus, state law can provide the contractual construction, but only to the extent such rules do not interfere with federal copyright law or policy. *See Fantastic Fakes, Inc. v. Pickwick, International, Inc.*, 661 F.2d 479, 482-483 (5th Cir. 1981) (state law rules of contract construction not preempted by federal law; however, application of state law to implied terms in copyright license would raise preemption question). Construing the contract against the drafter is thereby contrary to federal copyright policy. *S.O.S.*, 886 F.2d at 1088.

Chief among the purposes of federal copyright law is the preservation in the author of those rights not expressly granted. To this end, the terms of a license will be strictly construed to preserve these rights. (*Id.*). For this reason, copyright licenses are presumed to prohibit any use not expressly authorized. (*Id.*)

The clear intent of the parties to limit Defendants' rights to the specific, named project is evidenced at Section IX (B) of the operative contracts which expressly foreclosed re-use of these architectural works unless Defendants executed an option for re-use:

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2 *See, also, S.O.S. v. Payday, Inc.*, 886 F.2d 1081 (9th Cir. 1989). In *S.O.S.*, a lower court attempted to interpret an alleged copyright license pursuant to state law principles. The Ninth Circuit found that the license must be construed in accordance with the purposes underlying federal copyright law.

> B. *The Owner agrees not to use, copy or cause to have copied, the drawings and specification prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of $150.00 per unit (base architectural fee), plus engineering services, plus contingent additional hourly charge and expenses for plan modifications necessary to adapt these plans and specifications to other sites.*

(Exhibit "A" to Hampton Decl.; Section IX (B)) (emphasis added).

This intent, expressed by the unambiguous language of the operative contracts, is controlling for purposes of the Motions of both parties. *Barris Indust., Inc. v. WorldVision Enters, Inc.*, 875 F.2d 1446, 1449 (9th Cir. 1989) (The focus in contract construction is to determine the intent of the parties.). A contract must be interpreted "in a way that ascribes meaning, if at all possible, to all of its terms." *Kennedy v. National Juvenile Detention Ass'n*, 187 F.3d 690, 694 (7th Cir. 1999), *cert. denied*, 120 S. Ct. 1169 (2000). While Defendants contend that they allegedly "understood that [they] did not owe any money to Womack in connection with use of Windfern schematics" (Mtn. at 3, ¶ 6), this subjective intent is no more than wishful thinking that it is inconsistent with the actions of the parties and is therefore non-dispositive for purposes of this Motion. *I.A.E., Inc. v.*

Seaycontrell, 74 F.3d 768, 77 (7th Cir. 1996)("intent relevant in contract matters is not the parties' subjective intent but their outward manifestation of it").[3]

Defendants seek to avoid Section IX, by construing the operative contracts where they received a re-use license for no consideration. This interpretation fails as contrary to one of the primary axioms of contract construction where one party is essentially given "something for nothing". *See* 3 *Nimmer on Copyright* § 10.08 at 10-72, 73. Where, as here, rights are not expressly granted the licensee must be construed as preserving those non-granted rights in the copyright owner. *Cohen*, 845 F.2d at 855; *S.O.S.*, 886 F.2d at 1088.

Defendants have not and cannot point to any provision in the operative contracts between the parties which gave the TCR Defendants any rights in the re-use of Plaintiff's architectural works. Quite to the contrary, it is uncontroverted that this option was never exercised by Defendants. Defendants admit that they did not execute this option by the payment of a re-use fee (Mtn. at 6, ¶ 6). Absent such payment, Defendants plainly were not licensed for the re-use of Plaintiff's works.

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[3] Defendants' position is further at odds with admissions made to its agent and co-Defendant, Chiles Architects, Inc. In its deposition, Chiles Architects testified that it was told by TCR that TCR had entered into an agreement with Womack+Hampton for the re-use of Plaintiff's architectural designs. (Chiles' Depo. Tr. at 21, 27-29, 64-65, 69, 70-71, 77, 133, 136 and 146; Exhibit "A" to Luck Decl.). Chiles further testified that these assurances from TCR continued as late as the filing of this action (*Id.* at 91) and that it was only when Chiles Architects recognized the absence of any such agreement that it filed a cross-claim against TCR (*Id.*). Defendants' admission to Chiles Architects that it recognized the need for a re-use agreement directly contradicts its current position that it believed it needed no agreement or that it believed Plaintiff somehow agreed to TCR's re-use of Plaintiff's designs.

C. Defendants Creation of Derivative Works Also Subjects Them to Infringement

Even if the Court were to adopt Defendants' strained construction of the operative agreements as giving rise to a license to re-use, it is plain that Defendants violated even this license. Defendants argue that they received a non-exclusive license to re-use the subject works according to the operative contracts. (Mtn. at 8). Section IX (B) of these contracts provided Defendants an option to re-use an exact copy of Plaintiff's architectural works (Exhibit "A" to Hampton Decl.). Defendants admit, however, that they altered or induced the alteration of Plaintiff's works in the development of the Reserve at North Bend. (*Id.* at 3, ¶ 4). As a matter of law, this modification by Defendants gives rise to an unauthorized derivative of Plaintiff's original architectural works[4].

Defendants' own authorities recognize that one may infringe a copyright by operating outside the scope of the license agreement. *See Sun Microsystems, Inc. v. Microsoft Corp.*, 188 F.3d 1115, 1121 (9th Cir. 1999) ("if, however, a license is limited in scope and the licensee acts outside the scope, the licensor can bring an action for copyright infringement."); *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d at 1087. The creation of a derivative work is outside the scope of even Defendants' interpretation of a license to re-use a copy

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[4] A "derivative work" is defined at 17 U.S.C. § 101 as "a work based upon one or more preexisting works" or "any other form in which a work may be recast, transformed, or adapted." *See Quintanilla v. Texas Television, Inc.*, 139 F.3d 494, 500 (5th Cir. 1998). The owner of a copyrighted work has the exclusive right to reproduce the work in copies, to prepare derivative works based on the copyrighted work, to distribute copies of the work to the public, and, in the case of certain types of work, to perform and display the work publicly. *Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 258 (5th Cir. 1988).

of Plaintiff's architectural works. *See S.O.S., Inc. v. Payday, Inc., supra.*

In *S.O.S.*, Payday acquired the right to use the software, but S.O.S. retained all ownership rights. Exactly the same situation applies here; Womack+Hampton expressly retained all ownership rights under Section IX (A) of the operative agreements. In *S.O.S.*, the contract in question provided for a $50.00 per hour fee to S.O.S. if Payday wished to modify the program itself. The district court granted summary judgment in favor of Payday, but the Court of Appeals reversed. The Court of Appeals found that the contract did not give Payday the right to prepare derivative works and, therefore, the granting of summary judgment was inappropriate. Here, as in *S.O.S.*, the express terms of the option did not provide the right to make a derivative work. The provision here and in *S.O.S.*, that the licensee would have to pay the licensor an hourly rate in order to modify the work, further confirms that no right to make derivative works can or should be implied.

Here, the operative contracts are explicit that there is an option to re-use but no right to prepare derivative works. Moreover, the specifics of the agreements are that if Defendants wanted a derivative work to be prepared they had to have it prepared by Womack+Hampton. This means that no right to make derivative works was ever expressly granted, no such right is granted by implication under federal law, and moreover, the intent *not* to grant a right to make derivative works was expressed.

Consistent with the reasoning of the *S.O.S.*, no license or grant of rights to make derivative works may be extended. Since the TCR Defendants exceeded the scope of any license they claim to have, they are therefore guilty, as a matter of law, of copyright infringement. Defendants have admitted that they prepared derivative works using the

Plaintiff's copyrighted plans and only contend that they had a right to do so. Absent a right to do so, copyright infringement and its measure of damages is applicable here. Hence, Defendants are liable for copyright infringement and damages pursuant to 35 U.S.C. § 501, *et seq.*

D. The Authorities Relied Upon By Defendants Do Not Support Contract Damages

Defendants rely on a line of authorities for the proposition that Plaintiff's cause of action, and consequent damages, are limited to re-use fees under the Owner/Architect Agreements. This argument is specious. The cases of *Graham v. Jones*, 114 F.3d 229 (2nd Cir. 1998), *Sun Microsystems, Inc. v. Microsoft*, 188 F.3d 1115 (9th Cir. 1999), and *U.S. Naval Inst. v. Charter Comm.*, 936 F.2d 692 (2nd Cir. 1991) address the scenario where a licensee *breaches* the terms of an existing license and is then sued by the licensor for copyright infringement. These cases are inapposite since the express terms of the contracts between the parties foreclosed the existence of a re-use license absent an independent agreement for such re-use and the payment of a re-use fee. Unlike the cited authorities in this case, there was no pre-existing license between the parties for the re-use of Plaintiff's architectural works and thus Plaintiff is not confined to remedies for breach of contract.[5]

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[5] *I.A.F. v. Shen* is also readily distinguishable. In that case, the architect sued for the use of plans for which he had been paid compensation. Further, there was no contract language which foreclosed this use. None of these facts are present here. Defendants had not exercised the option for the re-use of the subject works.

The tenuous nature of Defendants' argument is revealed in the course of dealings between the parties in the other instances where Plaintiff did enter into a separate agreement for the re-use of architectural works for a projects designated "The Reserve at Barton Creek". In that instance, and in direct conflict with their current litigation-driven argument, the TCR Defendants recognized that their re-use of Plaintiff's architectural works was not authorized *until* they entered into a separate agreement with Plaintiff and paid the re-use fee. (*See* Exhibit "E" to Hampton Decl., ¶ 9). Evidence of the custom and practice between the parties is relevant in clarifying the intent concerning the re-use of architectural works. *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1088, n.8 (9th Cir. 1989) (comparing prior agreements between the parties to establish the scope of the license agreement); *U.S. Naval Inst. v. Charter Communications*, 875 F.2d 1044, 1049 (2nd Cir. 1989). In this connection, it is the outward "manifestation" of intent which controls its determination of the intent of the parties to a license. *I.A.F.*, 74 F.3d at 77. This course of dealing between the parties as requiring a separate license and re-use fee is admitted by Defendants. *See* Valach Decl. at ¶ 5. This admission by Defendant also dispatches any argument that they acquired an "implied license" to these works, as addressed below.

Plainly, the execution of an option agreement and the payment of the re-use fee was a condition precedent to the issue of any license to re-use Plaintiff's architectural works. As recognized by Defendants' own authorities, a failure to satisfy a condition precedent to a license gives rise to an action for copyright infringement. *See Fantastic Fakes, Inc. v. Pickwick Int'l, Inc.*, 661 F.2d 479, 483-84 (5th Cir. 1981) (a breach of a condition precedent will give rise to an action for contractual damages); *RT Computer Graphics, Inc. v. U.S.*, 52 U.S.P.Q. 2d 1436, 1444 (Fed. Cir. 1999). *See, also, 3 Nimmer on Copyright* § 10.15[A] at 10-120:

> However, if the nature of a licensee's violation consists of a failure to satisfy a condition to the license . . ., it follows that the rights dependent upon satisfaction of such condition have *not been effectively licensed*, and therefore, *any use by the licensee without authority from the licensor and may therefore, constitute an infringement of copyright.*

(emphasis added).

E. Defendant's Infringement Of Plaintiff's Copyrighted Works Does Not Give Rise To An "Implied License"

Adopting the role of the revisionist historian, Defendants alternately argue that their willful infringement of Plaintiff's copyrighted works gave rise to an "implied license." This argument is absurd and the authorities on which its relies are again inapposite.[6]

An implied license cannot be created where, as here, that which is sought to be implied is directly contradicted by a formal expression by the parties. *See Woodward v. Southwest States, Inc.*, 384 S.W.2d 674, 675 (Tex. 1964) ("where there exists a valid express contract covering the subject matter, there can be no implied contract."); *Coghlin v. Wellcraft Marine Corp.*, 240 F.3d 449, 454 (5th Cir. 2001)(implied contract is unavailable when valid, express contract governs the subject matter of the dispute); *Lulirama Ltd. v. Axcess Broadcast Services, Inc.*, 128 F.3d 872, 881 (5th

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[6] Defendants rely on *Keane Dcolen Services, Inc. v. Williams Hart*, 968 F. Supp. 944 (S.D.N.Y. 1987). In *Keane*, the Court found the existence of an implied license based on the uncontroverted evidence that the copyright holder (1) acquiesced in such case; and (2) knew of Defendants' use of the copyrighted material. *Id.* at 947. The opposite facts are presented here.

Cir. 1997) (an implied license can exist if an express, written contract covers the subject matter);*Crawford v. Protective Life Ins. Co.*, 2000 WL 33348737, *3 (W.D. Tex. 2000). In this case, the operative contracts between Plaintiffs and Defendants erase any doubt that the re-use of Plaintiff's architectural works was expressly prohibited absent a separate agreement and consideration for such re-use.

The Fifth Circuit in *Lulirama Ltd., Inc. v. Access Broadcast Services, Inc.* set forth those factors which gave rise to an implied license as including: 1) the business' request for the creation of the work; 2) the business' creation and delivery of the works to the business; and 3) the business intent that the business copy and distribute the work. *Id.* at 879. This test is not met here.

As set forth in the Declarations of Plaintiff's principals, Charles Womack and R. Michael Hampton, Plaintiff did not agree, intend or acquiesce in any use of its copyrighted works without execution of a re-use agreement and the payment of a re-use fee. (Womack Decl. at ¶ 18, *et seq.*) (Hampton Decl. at ¶ 8, 12, 16-17). Quite the contrary, Plaintiff notified Defendants' agent, Defendant Chiles Architects, Inc., that Chiles' improper use gave rise to an action for copyright infringement. (Exhibit "C" to Womack Decl.).

In a letter dated September 30, 1998, Plaintiffs made demand on the TCR Defendants for execution of the option if they intended to re-use Plaintiff's plans (*See* Exhibit "A" to Womack Decl.). Defendants refused to pay this fee, threatening Plaintiff with a loss of business should Plaintiff pursue the matter:

> Like President Clinton, I acknowledge a sin (continuing to reference Winfern) but plead innocent of a legal violation, subject to a better understanding of what your copyright covers. Unfortunately, I do not have the legal expertise to evaluate this matter without a lawyer, which is a very unpleasant and unattractive course of action. *Alternatively, you are suggesting that TCR South Central pay you a fee to make the issue go away. Mike, this is also a very unpleasant alternative.*
>
> Considering how much business that you do with TCR; considering that I am often asking you if you have capacity for additional work; and, considering that you and Charles have already told me that you do not intend to litigate this misunderstanding (I view suing Gary Chiles and TCR as one and the same), I request that you drop this matter and focus on doing more profitable business with us. Please do not underestimate the seriousness of this letter. *If you insist on pursuing this matter, it will have a profound impact on future TCR business.*

(Exhibit "D" to Womack Decl.) (emphasis added).

These protests and threats of litigation by Plaintiff are hardly consistent with the notion that Plaintiff somehow acquiesced in Defendants' infringement. The proposition implicitly advanced by Defendants is that Plaintiff's actions, to the extent they were anything short of litigation, gives rise to an implied license to infringe. As revealed by the absence of supporting caselaw, this is not nor has ever been the law.

F. Womack+Hampton's Cross-Motion for Partial Summary Judgment Should be Granted

The terms of the operative contracts between the parties vested exclusive rights in the copyright of the architectural works for all uses other than the subject of the specific project for which the plans were created. Absent the exercise of the re-use option through the exercise of a separate contract and the payment of the re-use fee, the TCR Defendants had no right or license to re-use Plaintiff's copyrighted works or derivative works. As a matter of law, any attempted re-use or modification of Plaintiff's copyrighted works absent the exercise of this option by its terms, gave rise to an action for copyright infringement pursuant to 17 U.S.C. § 501. It necessarily follows that Defendants' failure to exercise the option to re-use Plaintiff's architectural works, compounded with Defendants' admitted re-use and modification of these works, gives rise to an action for copyright infringement for which copyright damages may be awarded pursuant to 17 U.S.C. § 504.

IV.
CONCLUSION

For the reasons set forth above, the TCR Defendants' Motion for Partial Summary Judgment should be denied.

Furthermore, the uncontroverted facts compel the entry of a judgment for Plaintiff that Defendants' re-use and modification of Plaintiff's works gave rise to an action for copyright infringement for which copyright damages may be awarded.

A Proposed Order is attached herewith.

Respectfully submitted,

SANKEY & LUCK, L.L.P.

/s/ Gregory M. Luck

Date: 6/3/02

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ATTORNEYS FOR PLAINTIFF
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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of Plaintiff Womack+Hampton's Response and Opposition to Crow Defendants' Motion for Partial Summary Judgment on the Issue of Damages and Cross-Motion for Partial Summary Judgment that Plaintiff is Entitled to Damages for Copyright Infringement; Declaration of Gregory M. Luck; Declaration of Charles R. Womack; Declaration of R. Michael Hampton and Proposed Order has been served to opposing counsel by Certified Mail, Return Receipt Requested on this 4th day of June, 2002 to:

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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

WOMACK+HAMPTON ARCHITECTS, L.L.C.,

Plaintiff,

vs.

METRIC HOLDINGS, LTD., PARTNERSHIP, *et al.*,

Defendants.

CIVIL ACTION NO. A-01-A-5913N

MOTION FOR PARTIAL SUMMARY JUDGMENT OF THE CROW DEFENDANTS ON ISSUE OF DAMAGES

The Trammell Crow Residential Defendants[1] (collectively "Crow") respectfully move for entry of partial summary judgment in their favor and against Plaintiff Womack+Harnpton Architects, L.L.C. ("Womack") on the amount of damages for which they may be found potentially liable to Womack. Crow moves for entry of judgment in their favor that the amount of damages for

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[1] The Crow Defendants are Trammell Crow Residential Company, TCR Operating Company, Inc., Metric Holdings Limited Partnership, TCRMetric L.P., South Central RS, Inc., TCR Soutn Central, Inc., TCR South Central 1995, Inc., TCR South Central Division L.P., TCR Metric Construction Ltd. Partnership ("Crow Entity Defendants"), and Robert Buzbee, Lewis Bunch, Kenneth J. Valach, Perry Wilson, Chris Wheeler and J. Ronald Terwilliger ("Individual Crow Defendants"). This motion is made without waiver of the motion to dismiss that will be filed by some of the Crow Defendants.

which they are potentially liable is subject to, and limited by, the express terms of written contracts between Trammell Crow entities ("Trammell Crow") and Womack entities.

I. Summary of motion

Womack makes various claims of copyright infringement against Crow relating to their alleged unauthorized copying of Womack's architectural drawings. Womack seeks recovery of statutory copyright damages. However, the subject architectural drawings were all obtained by Trammell Crow from Womack under contracts which expressly contemplated Trammell Crow's further use of the drawings at other sites and projects, in return for specified "proper compensation." Therefore, Plaintiffs damages, if any, are limited by the express terms of the parties' contracts.

This motion addresses a central issue in this lawsuit: if plaintiff Womack should prevail against Crow on its claims of unauthorized use of its architectural drawings, what is the proper measure of damages which Womack may recover? Crow submits that Womack is improperly attempting to twist this contract dispute into a copyright dispute, even though, as a matter of law, the amount of damages for which Crow is potentially liable is limited by the express terms of the parties' contracts.

II. Undisputed material facts

1. Trammell Crow is involved generally in residential real estate development, and has developed and constructed multi-family residential units in Texas and in other states. Womack is an architectural firm which has prepared architectural drawings for Trammell Crow on a number of occasions. Valach Decl. ¶¶ 2, 3 (Tab A).

2. Trammell Crow was provided architectural drawings by Womack under Owner Architect Agreements for the four projects which are the subject of this lawsuit. The Owner Architect Agreements were drafted by Womack, and were signed by Womack and by Trammell Crow. Buzbee Decl. ¶ 3 (Tab B); Bunch Decl. ¶ 4, 5 (Tab C); Ex. 1-4.

3. Three of the four Owner Architect Agreements drafted by Womack and signed by Womack and by Trammell Crow provide that Trammell Crow agrees not to use Womack's drawings or specifications on other sites "without proper compensation to the Architect [Womack]" based upon payment of a base architectural fee of $150.00 per unit. The fourth Owner Architect Agreement includes identical language but provides for payment of a base architectural fee of $250.00 per unit. Buzbee Decl. ¶ 3 (Tab B); Ex. 1-4.

4. In 1998, defendant TCR South Central 1995, Inc. ("95 Inc."), requested that Chiles Architects, Inc., make use of Windfern schematics[2] from Womack in connection with work at an apartment complex called The Reserve at North Bend. Plaintiff claims that Crow also made use of Womack's drawings from three other projects. All of the architectural drawings were obtained by Trammell Crow from Womack under the Owner Architect Agreements. Buzbee Decl. ¶ 7 (Tab B); Second Amended Complaint ¶¶ 15, 18.

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[2] Phases in the architectural design of a structure include creation of schematic drawings, preliminary drawings and final construction drawings. Buzbee Decl. ¶ 5 (Tab B).

5. Womack was provided a set of the architectural plans and drawings being used by Trammell Crow at The Reserve at North Bend in September, 1998, before 95 Inc. began construction of the North Bend apartment complex. Womack Declaration ¶ 25 (Ex. 8); Hampton Declaration. ¶ 11 (Ex. 9); Chiles Aff. 13 (Ex. 10); Buzbee Decl. ¶ 8 (Tab B).

6. Womack and Trammell Crow discussed the amount of "proper compensation" payable to Womack under the Owner Architect Agreement for use of the Windfern schematics in connection with The Reserve at North Bend. Following these discussions, in October 1998 Trammell Crow understood that it did not owe any money to Womack in connection with use of Windfern schematics at The Reserve at North Bend. Valach Decl. ¶ 8 (Tab A); Buzbee Decl. ¶¶ 11-13 (Tab B); Bunch Decl. ¶¶ 8-13 (Tab C).

7. Construction of The Reserve at North Bend began in October 1998 and was completed in November 1999. The apartment complex was sold in 2000. Buzbee Decl. ¶ 18. Womack never objected to construction of The Reserve at North Bend and never mentioned any claimed re-use fee after October 1998, until almost three years later when it filed this lawsuit. Valach Decl. ¶¶ 6-8 (Tab A); Buzbee Decl. ¶ 13 (Tab B).

8. Womack claims to have registered plans for Windfern, The Reserve at Cheyenne, Reserve at Charles Place, and Cambria Place with the U.S. Copyright Office only after construction of The Reserve at North Bend was completed by Trammell Crow, and shortly before, or after, this lawsuit was filed. Second Amended Complaint ¶¶ 16, 17; Womack Declaration ¶¶ 6, 9 (Ex. 8).

9. Plaintiff Womack claims that, if it should prevail on its claims against Crow, it is entitled to statutory copyright damages, including its actual damages plus any infringers profits attributable to the infringement. Plaintiffs Second Amended Complaint ¶ 39, Prayer for Relief ¶¶ 7, 8; 17 U.S.C. § 504.

10. Crow denies that Womack is entitled to statutory copyright damages if it should prevail on its claims against Crow. Crow submits that damages recoverable by Womack, if any, are limited by the express terms of the Owner Architect Agreements prepared by Womack and signed by Womack and Trammell Crow.

III. Statement of reasons and authorities

It is well settled that a party against which claims are asserted may move for a summary judgment in its favor as to all or part of the claims at any time. Fed. R. Civ. P. 56(b). Summary Judgment is an integral part of the Federal Rules of Civil Procedure, which Rules are intended to secure the just, speedy and inexpensive determination of every action. *Celotex Corp.* v. *Catrett, 411* U.S. 317, 327 (1986). The central inquiry is whether there is a genuine issue of material fact. Fed. R. Civ. P. 56(c). A fact is material if it might affect the outcome of the lawsuit. *Anderson* v. *Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986) ("Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment."); *See TIG Ins. Co. v. Sedgwick James of Washington*, 276 F.3d 754, 759, 762-3 (5th Cir. 2002).

Crow submits that there are no genuine issues of material, or outcome-determinative, fact concerning the extent of potential damages which Womack might recover in this action, and that they are entitled to entry of the requested judgment in their favor as a matter of law.

A. The Owner Architect Agreements expressly allow for use of Womack's drawings on other sites.

Trammell Crow obtained lawful possession of the subject architectural drawings under the Owner Architect Agreements with Womack (Exs. 1-4). In these agreements, Womack expressly agreed that there was no prohibition against copying and using the plans on other sites at other projects. The parties expressly agreed that if the plans were copied and used on other sites, then "proper compensation," a phrase which is defined in the Agreements, was due and owing to Womack.

The Agreements provide as follows:

IX. OWNERSHIP AND RE-USE OF DOCUMENTS

* * *

B. The Owner agrees not to use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites *without proper compensation to the Architect,* which shall be based upon a mutually agreed upon

> (sic) of $150.00 per unit (base architectural fee), plus engineering services, plus contingent additional hourly charges and expenses for plan modifications necessary to adapt these plans and specifications to other sites. (Emphasis added), Ex.s 1-4.[3]

The parties agreed that if Trammell Crow did copy the plans and use them at other sites, it would owe Womack "proper compensation." The language of these agreements, which were drafted by Womack, should be given its plain meaning.[4] If Womack should prevail on its claims of unauthorized use of architectural drawings, Womack's damages, if any, should be limited by the express language in the Owner Architect Agreement under which Trammell Crow obtained lawful possession of the subject drawings.

B. Plaintiff has expressly acknowledged the applicability of the Owner Architect Agreements to this dispute

It is undisputed that plaintiff Womack has expressly acknowledged the applicability of the terms of the Owner Architect Agreements to this dispute.

In 1998, 95 Inc. forwarded Womack unit and building layout schematics to architect Gary Chiles, and asked that his architectural firm prepare site plans for

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[3] As noted earlier, identical re-use language appears in the Owner Architect Agreements for Windfern, The Reserve at Cheyenne and The Reserve at Charles Place. Re-use language in the Owner Architect Agreement for Cambria Place provides for a base architectural fee of $250.00 per unit, but is otherwise exactly the same

[4] Crow notes that even if the language was unclear, it would be strictly construed against the drafter, Womack. *Temple-Eastexlnc.* v. *Addison Bank,* 672 S.W.2d 793, 798 (Tex. 1984).

Trammell Crow's North Bend project, using the schematics as a basis. Buzbee Decl. ¶ 7 (Tab B). It is undisputed that a set of Chiles' plans for The Reserve at North Bend was provided to plaintiff Womack in September 1998. Womack Declaration, ¶ 14, Ex. 8; Hampton Declaration, ¶ 14, Ex. 9. After comparing Chiles Architects' plans for North Bend with Womack's plans for Windfern and The Reserve at Cheyenne, Mr. Charles Womack wrote Trammell Crow asking for payment of a re-use fee. The re-use fee requested was based on the parties' Owner Architect Agreement. Womack Declaration, ¶¶ 15, 25. Mr. Womack's letter stated, in part;

> *Our original agreement* with Trammell Crow Residential, Houston, for Windfem *calls for a $150.00 per unit Re-Use fee for future use of our plans.* Because of our long relationship with your company, and the fact that the plans were redrafted by Mr. Chiles, we are willing to accept one half of that amount, *i.e.* $75.00 per unit foratotal Use Fee of $27,450.00. *Any future reuse of this product will be priced per the original written agreement.* (Emphasis added.)

On October 8, 1998, Trammell Crow's Lewis Bunch wrote Mr. Hampton confirming that Womack did not intend to litigate the re-use fee matter. Ex. 7. Mr. Bunch understood that Mr. Hampton would contact him if Womack still wanted a re-use fee. Bunch Decl. ¶¶ 9-11 (Tab C). Neither Mr. Bunch nor anyone else at Trammell Crow ever heard from Womack on this subject again, until this lawsuit was filed almost three years later. Bunch Decl. ¶ 11 (Tab C); Valach Decl. ¶ 8 (Tab A); Buzbee Decl. ¶ 11-14 (Tab B).

Mr. Womack makes clear in his letter dated September 30,1998 that re-use rights under the Owner Architect Agreements may properly be exercised by other Trammell Crow entities. *See* Ex. 6. It is undisputed that

Womack has expressly acknowledged the applicability of the Owner Architect Agreements to the claims of unauthorized use of architectural drawings which are made in this lawsuit. Womack should not be allowed to now disclaim its past unequivocal admission.

C. Womack's claims are breach of contract claims, not copyright infringement claims.

The mere fact that a contract covers copyrighted material does not allow Womack to escape the constraints of contract law. A breach of contract claim involving copyrighted material is not a copyright infringement claim. This is particularly true here, where the very contracts under which Womack provided the drawings to Trammell Crow expressly contemplated the possibility of copying and further use of the drawings. *See U.S. Naval Inst v. Charter Communications, Inc.*, 936 F.2d 692, 695-96 (2d Cir. 1991) (exclusive licensee). Further supporting this conclusion is Womack's own September 30, 1998 statement expressly acknowledging that "future reuse of this product will be priced per the original written agreement." Ex. 6.

Plaintiff candidly states that it registered its plans for the Windfern and The Reserve at Cheyenne with the U.S. Copyright office three years after the plans were provided to Trammell and shortly before this lawsuit was filed. Plaintiff further states that plans for The Reserve at Charles Place were registered four years after they were provided to Trammell-Crow and that plans for Cambria Place were registered *six years* after they were provided to Trammell Crow and after this lawsuit was filed. Plaintiffs Second Amended Complaint ¶¶ 16,17. Plaintiff may have hoped by this belated action to somehow transform its breach of contract claim into a copyright claim. However, such hope is misplaced.

The rights which Womack claims were violated by Crow are contract rights, not copyright rights. By contemplating further use of the drawings by Trammell Crow, in the very agreements which Womack itself drafted, Womack granted Crow a non-exclusive license to copy and use the drawings. A non-exclusive license of this type constitutes a waiver by Womack of any right to sue Crow for copyright infringement *Graham* v. *James,* 144 F.3d 229,236 (2d Cir. 1998); *see also Sun Microsystems, Inc.* v. *Microsoft Corp.,* 188 F.3d 1115, 1121 (9th Cir. 1999).

It is true that a copyright claim may sometimes arise if a licensee has exceeded the scope of the license granted. *See Sun Microsystems, Inc.* v. *Microsoft Corp.,* 81 F.Supp.2d 1026, 1031-33 (N.D. Cal. 2000). However, that is not the case here. The subject agreements refer broadly and generally to use or copying of the drawings and specifications. The agreements provided that if Trammell Crow did copy the drawings, it was obligated to pay Womack "proper compensation." This gave rise to an obligation, or covenant, to pay Womack, in the event the drawings were used elsewhere.[5] A violation of a contractual covenant sounds in contract. It does not give rise to a cause of action for copyright infringement *RT Computer Graphics, Inc. v. United States,* 44 Fed. Cl. 747 (1999).

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[5] A covenant is very different from a condition precedent, which, would typically be evidenced by words such as "if," "provided that," or "on condition that." Conditions precedent are disfavored, and are not read into a contract unless clearly required by unambiguous language. *E.g, HohenbergBros. Co.* v. *George E. Gibbons & Co.,* 537 S.W.2d 1,3 (Tex. 1976); *Crisswellv. European Crossroads Shopping Center, Ltd.,* 792 S.W.2d945 (Tex. 1990); *Effects Associates, Inc.* v. *Cohen,* 908 F.2d 555, 559 n. 7 (9th Cir. 1990), *cert, denied,* 498 U.S. 1103 (1991).

Even without the language of the parties' agreement, a non-exclusive license would properly be implied from Womack's silence and lack of objection for three full years. *Keane Dealer Services, Inc. v. Harts,* 968 F.Supp. 944, 947 (S.D.N.Y. 1997). The *Keane* court held on summary judgment that a copyright owner's knowledge that defendant was using certain software, coupled with the owner's silence in the face of defendant's use of the program, constituted an implied license to use the program. As in *Keane,* here Womack knew that Trammell Crow was making use of its schematics in connection with construction of the North Bend apartment complex. Womack lay quietly in the bushes while construction of North Bend was begun and completed and while the project was occupied and then sold. Only then, after complete silence for almost three years, did Womack file a lawsuit seeking large statutory damages. This conduct should not be countenanced. *See also I.A.E., Inc.* v. *Shaver,* 74 F.3d 768, 775 (7th Cir. 1996) (non-exclusive license may be implied from conduct such as silence).

Agreements limiting parties' potential damages liability to a specified amount are enforceable, unless violative of public policy. See *Arthur's Garage, Inc.* v. *Racal-Chubb Sec. Sys,, Inc.,* 997 S.W.2d 803, 810 (Tex. App.-Dallas 1999, no pet.); *Vallance & Co. v. DeAnda,* 595 S.W.2d 587, 590 (Tex. App.-San Antonio 1980, no writ). The re-use clauses here cap Trammell Crow's liability for using Womack's drawings. The certainty in business transactions afforded by enforcement of the parties' agreements is clearly supportive of public policy.

If Plaintiff Womack should prevail on its claims of unauthorized use of its architectural drawings and should succeed in overcoming Crow's defenses (including waiver, estoppel, and other defenses), then Plaintiffs recovery should be limited by the terms of the agreements it drafted and signed. *Graham* v. *James,* 144 F.3d 229,236-37 (2d Cir.

1998) (non-payment of royalties gives rise to breach of contract claim, not copyright claim).

D. The Individual Crow Defendants also have limited damages exposure to Plaintiff Womack

Womack has alleged that the Individual Crow Defendants are personally liable for copyright infringement. Plaintiffs Second Amended Complaint ¶¶ 34, 38. It is true that theories of vicarious liability or contributory liability may sometimes result in individuals being found personally liable for corporate copyright infringement. *E.g., Burdick v. Koerner,* 988 F. Supp. 1206, 1209 (E.D. Wis. 1998); *Playboy Enterprises, Inc.* v. *Webbworld, Inc.,* 991 F.Supp. 543, 554-55 (N.D. Tex. 1997), *affd,* 168 F.3d 486 (5th Cir. 1999).[6] However, where the alleged infringing action is itself only a breach of contract, contributory or vicarious liability cannot rise to the level of copyright infringement. That is the case here.

Accordingly, the potential damages liability of the Individual Crow Defendants should properly be limited by the terms of the Owner Architect Agreements. IV.

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[6] Contributory copyright infringement liability requires proof that the individual knew of the infringing activity and induced, caused, or materially contributed to it. Vicarious copyright infringement liability requires proof that the individual had the right and ability to supervise the infringing activity and also had a direct financial interest in it.

IV. Conclusion

In light of the foregoing points and authorities, the Crow Defendants respectfully pray that partial summary judgment be entered in their favor that the amount of damages for which they are potentially liable to Plaintiff Womack is limited by the terms of the subject Owner Architect Agreements.

Respectfully submitted,
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ATTORNEYS FOR DEFENDANTS
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of MOTION FOR PARTIAL SUMMARY JUDGMENT OF THE CROW DEFENDANTS ON ISSUE OF DAMAGES has been served upon all counsel in the manner described below on this 22nd of May, 2002:

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Womack + Hampton
Architectural Joint Venture

February 20, 1998

Mr. Kenneth J. Valach, Vice President
TCR South Central 1995, Inc.
10333 Richmond
Suite 400
Houston, Texas 77042

Dear Ken:

We are pleased to have the opportunity to submit this Owner/ Architect Agreement between:

Owner: TCR Gulf Coast Properties, Inc. and its Assigns

10333 Richmond Avenue
Suite 400
Houston, Texas 77042

and,

Architect: Womack+Hampton Architectural Joint Venture

3000 McKinney Avenue
Dallas, Texas 75204

I. PROJECT DESCRIPTION

A. General

The following outlines our scope of work to provide you with Architectural Services for a new apartment community to be known as, for the purposes of this Agreement, The Reserve at Windfern, containing

approximately 328 Apartment Units, situated on approximately 21.56 acres of land known as Tract 4 of the Andrew Lawson Survey, A-523, fronting on Philippine Street, Harris County, Texas. Architect's Job No. 97013.

B. Dwelling Units

The dwelling units will consist of a combination of "back-to-back" and "pass-through" type apartment units in two and three story building configurations. The units will consist of one, two and three bedroom configurations similar to the following:

A1 Unit 1 bedroom/ 1 bath "flat" @ 674 +\- sq. ft.
A2 Unit 1 bedroom/ 1 bath "flat" @ 728 +\- sq. ft.
B1 Unit 2 bedroom/ 1 bath "flat" @ 986 +\- sq. ft.
B2 Unit 2 bedroom/ 2 bath "flat" @ 1168 +\- sq. ft.
B2.1 Unit 2 bedroom/ 2 bath "flat" @ 1334 +\- sq. ft.
C1 Unit 3 bedroom/ 2 bath "flat" @ 1370 +\- sq. ft.

C. Typical Building Types

We will provide two different typical dwelling unit building types under this Basic Services Agreement.

D. Ancillary Buildings

The Leasing/Community Center shall be a re-use of the clubhouse originally designed for Knollwood I, with various plan and elevation revisions, and shall be included in the Architect's Basic Services.

II. GENERAL REQUIREMENTS

A. Throughout the course of the Architect's services under this agreement, the Architect shall, as a part of Basic Services:

1. keep the Owner informed of its services by submitting to the Owner, at appropriate intervals, oral or written reports monitoring the progress of the Architect's services and the Work;

2. attend meetings as required by the Owner relative to the design and construction of the Project;

3. be responsible for providing certification(s) required by the federal, state and or local authority having jurisdiction over the Project; and

4. coordinate its services hereunder with the other design consultants, if any, separately engaged by the Owner.

B. The Architect, and his Consultants, shall perform its services under this agreement in accordance with the standards of care, skill, diligence and professional competence, prevailing in Dallas, Texas, applicable to architect's engaged in providing architectural, and other consulting, services in connection with projects of the size and with the amenities of this Project.

C. We will use professional diligence to design this project in accordance with your outlined program, conforming with the applicable zoning and building codes. We will design fee project, to the best of our knowledge, information and belie£ in accordance with the applicable provisions of the Federal Fair Housing Amendment Act of 1988 as outlined by the Department of Housing and Urban Development Fair Housing Accessibility Guidelines dated March 6, 1991, the Americans with Disabilities Act, and other applicable State and local accessibly requirements. The Architect shall be responsible for designing handicapped related issues into the building structures only. All site related accessibility functions shall be the responsibility of the Owner's Landscape Architect or Civil Engineer.

D. The Architect shall execute various certificates and/or certifications that are appropriate and consistent with the services being provided by the Architect. The Owner will provide the Architect with the proposed language of the certificates and/or certifications, being requested for the

Architect's approval, at least 14 days prior to the required execution date. The Owner shall not request certifications that would require knowledge or services beyond the scope of this Agreement and the Owner shall agree to modify the language of any certification that is reasonably requested by the Architect and approved by the Owner's Lender. The Architect agrees to execute an Assignment of the Plans and Specifications to the Construction Lender and will agree in said Assignment to perform such services for the Lender as Lender may require as long as the Architect has billed promptly and is paid-to-date upon the commencement of the Lender services.

III. SCOPE OF BASIC SERVICES

The scope of the Architect's Basic Services shall include normal Architectural Services only. The Architect will provide Structural Engineering as an Additional Service as outlined below.

A. Schematic Design Services

The Schematic Design Services are to include Architectural Services only and shall include the following documents:

1. The preliminary Site Plan design is specifically excluded from this Agreement and shall be provided by the Owner's Landscape Architect.

2. Sketched Typical Unit Plans.

3. Character elevations of a typical building plan.

B. Design Development Services

The Design Development Services are to include Architectural Services only and shall include the following documents:

1. Drafted Site Plan, indicating building footprints, circulation and parking layout, and preliminary program.

2. Computer drafted Typical Unit Plans, including window and door schedules.

3. Sketched floor plan and elevations of Office/ Leasing Center. When the sketched floor plans have been approved by the Owner we will provide computer drafted Clubhouse Floor Plan, including window and door schedules.

4. Drafted typical building plans.

5. Drafted exterior elevations of all typical building plans and Clubhouse.

6. Drafted roof plans.

7. Drafted typical wall section.

C. Construction Documents

When the Design Development Drawings are approved by the Owner, when all accrued fees have been paid, and we are instructed by the Owner to proceed, we will produce Architectural Construction Documents setting forth, in detail, the construction requirements for the project. The Construction Documents will contain the following documents:

1. Cover Sheet.

2. Site Plan indicating building(s), parking, firelanes, trash, program, legal descriptions, notes, and symbols. An Address plan will also be provided. Control dimensioning for building staking, finished floor elevations, and site grading shall be provided by a Civil, Engineer, as provided by the Owner. Finish grading, sidewalks (including those for handicapped accessibility), pools and landscaping shall be provided by the Landscape Architect or the Civil Engineer, as provided by the Owner.

3. 1/4" Typical Unit Plans including dimensions, general notes, furring for H.V.A.C. equipment, window and door schedules.

4. Office Leasing Center Plans including applicable plans, elevations, sections and details.

5. 3/8" Interior Cabinet Elevations and Profiles

6. 1/8" Typical Building Plans including the following:

   Floor Plans
   Roof Plans
   Exterior Elevations
   Major Building Sections

7. 1/8" Building Foundation Profiles indicating dimensional control only.

8. Architectural Details including the architectural detailing required to construct the project This detailing will include wall sections and large scale details.

9. Project Manual: We will provide a Project Manual, including the Specifications relating to the aspects of the project covered by this Agreement, and or subsequent Agreements. Unless the Architect is engaged *to* provide Structural and M.E.P, Engineering, as an additional service, we will provide "Guideline" general specifications for the "Structural" and "M.E.P." aspects of the project. If the Structural and M.E.P. Engineering is to be provided by others, the responsibility of the detailed Specifications for these portions of the work shall be provided by the individuals providing these services.

IV. ADDITIONAL SERVICES

A. All Civil Engineering, Structural Engineering, M.E.P. Engineering, Landscape Architecture and Interior Decorating are excluded from the Basic Services Agreement and shall be provided by the Owner. However, these services are available through the Architect, as required by the Owner, as an Additional Service in addition to Basic Services.

B. Construction Administration Services

1. The Architect will provide Construction Administration under the terms of the Basic Services Agreement; however, for the purposes of this Agreement, these services shall be considered as Additional Services. The Fee for Construction Administration Services shall be as outlined in paragraph VI.B(l) below.

2. The Architect's responsibility to provide Construction Administration for the Construction Phase under this Agreement commences with the beginning of Construction and terminates upon the Architect's issuance to the Owner of the final Certificate for Payment.

3. The Architect shall provide administration of the Contract for Construction as set forth below and in accordance with AIA Document

A201, General Conditions of the Contract for Construction, 1987 edition.

4. Duties, responsibilities, and limitations of authority of the Architect shall not be restricted, modified or extended without written agreement of the Owner and Architect with consent of the Contractor, which consent shall not be unreasonably withheld.

5. The Architect shall be a representative of and shall advise and consult with the Owner (1) during construction until final payment to the Contractor is due, and (2) as an Additional Service at the Owner's direction from time to time during the correction period described in the Contract for Construction. The Architect shall have authority to act on behalf of the Owner only to the extent provided in this Agreement unless otherwise modified by written instrument.

6. The Architect shall visit the site at intervals appropriate to the stage of construction or as otherwise agreed by the Owner and Architect in writing to become generally familiar with the progress and quality of the work completed and to determine in general if the work is being performed in a manner indicating that the work when completed will be

substantially in accordance with the Contract Documents. However, the Architect shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the work. On the basis of on-site observations as an architect, the Architect shall keep the Owner informed of the progress and quality of the work, and shall endeavor to guard the Owner against defects and deficiencies in the work. The Architect shall visit the site one time per month to conduct a review of the construction progress and determine if the work is being performed substantially in accordance with the Contract Documents. During this visit, the Architect will conduct a construction meeting to review the construction progress and to execute the Contractor's Certificate and Application for Payment. The Architect will keep and distribute minutes of this meeting.

7. The Architect shall not have control over or charge of and shall not be responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the work, since these are solely the Contractor's responsibility under the Contract for Construction. The Architect shall not be responsible for the Contractor's schedules or failure

to carry out the work in accordance with the Contract Documents. The Architect shall not have control over or charge of acts or omissions of the Contractor, Subcontractors, or their agents or employees, or of any other persons performing portions of the work.

8. The Architect shall at all times have access to the work wherever it is in preparation or progress.

9. Based on the Architect's observations of all the Work performed by the Contractor and evaluations of the Contractor's Applications for Payment, the Architect shall review and certify the amounts due the Contractor, if requested by the Owner.

10. The Architect's certification for payment shall constitute a representation to the Owner, based on the Architect's observations at the she as provided in paragraph IV-C(6), and on the data comprising the Contractor's Application for Payment, that the work has progressed to the point indicated and that, to the best of the Architect's knowledge, information and belief; quality of the work is in accordance with the Contract Documents. The foregoing representations are subject to an evaluation of the work for

conformance with the Contract Documents upon substantial completion, to results of subsequent *tests* and inspections, to minor deviations from the Contract Documents correctable prior to completion and to specific qualifications expressed by the Architect. The issuance of a Certificate for Payment shall further constitute a representation that the Contractor is entitled to payment in the amount certified. However, the issuance of a Certificate for Payment shall not be a representation the Architect has (1) made exhaustive or continuous on-site inspections to check the quality or quantity of the work, (2) reviewed construction means, methods, techniques, sequences or procedures, (3) reviewed copies of requisitions received from Subcontractors and material suppliers and other data requested by the Owner to substantiate the Contractor's right *to* payment or (4) ascertained how or for what purposed the Contractor has used money previously paid on account of the Contract Sum.

11. The Architect shall review and approve or take other appropriate action upon Contractor's submittals such as Shop Drawings, Product Data and Samples, but only for the limited purpose of checking for conformance with information given and the

design concept expressed in the Contract Documents. The Architect's action shall be taken with such reasonable promptness as *to* cause no delay in the work or in the construction of the Owner or of separate contractors, while allowing sufficient time in the Architect's professional judgment to permit adequate review. Review of such submittals is not conducted for the purpose of determining the accuracy completeness of other details such as dimensions and quantities of for substantiating instructions for installation or performance of equipment or systems designed by the Contractor, all of which remain the responsibility of the Contractor to the extent required by the Contract Documents. The Architect's review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the Architect, of construction means, methods, techniques, sequences or procedures. The Architect's approval of a specific item shall not indicate approval of an assembly of which the item is a component. When professional certification of performance characteristics of materials, systems or equipment is required by the Contract Documents, the Architect shall be entitled to rely upon such certification to establish that the materials, systems or equipment will meet the

performance criteria required by the Contract Documents. The Architect will review applicable shop drawings as they relate to basic design conformance.

12. The Architect shall prepare and certify appropriate Change Orders, prepare Construction Change Directives, with supporting documentation and data if deemed necessary by the Architect, for the Owner's approval and execution in accordance with the Contract Documents, and may authorize minor changes in the work not involving an adjustment in the Contract Sum or an extension of the Contract Time which are not inconsistent with the intent of the Contract Documents.

13. The Architect shall conduct site reviews to determine the date or dates of Substantial Completion and the date of final completion and shall authorize issuance a final Certificate for Payment upon compliance with the requirements of the Contract Documents.

14. The Architect shall interpret and decide matters concerning performance of the Owner and Contractor under the requirements of the Contract Documents on written request of either the Owner or Contractor. The Architect's response

to such requests shall be made with reasonable promptness and within any time limits agreed upon.

15. Interpretations and decisions of the Architect shall be consistent with the intent of and reasonably inferable from the Contract Documents and shall be in writing or in the form of drawings. When making such interpretations and initial decisions, the Architect shall endeavor to secure faithful performance by both Owner and Contractor, shall not show partiality to either, and shall not be liable for results of interpretations or decisions so rendered in good faith.

16. The Architect's decisions on matters relating to aesthetic effect shall be final if consistent with the intent expressed in the Contract Documents.

17. The Architect will review and prepare an interior and exterior "Punch List" for the Office/Leasing Center as part of the Architect's Basic Services. All of the dwelling unit buildings shall be "Punched Out" by other representatives of the Owner, or by the Architect as a Contingent Additional Service. The Owner, or the Owner's representative shall be responsible for reviewing and verifying that the Owner's and Architect's punch lists are completed by the Contractor.

18. Upon Substantial Completion of the Project, the Architect shall certify *to* the Owner, Owner's Lender and Owner's equity partner that the Project has been completed in substantial accordance with the Plans and Specifications therefor. Such certification will be subject to the Architect's evaluation of the Work as contemplated as part of the Construction Administration Services. However, the Owner has been informed and agrees that the Architect can not, and will not provide any certifications or assurances of the construction quality unless the Architect *is* retained and provides Construction Administration Services as outlined herein.

V. CONTINGENT ADDITIONAL SERVICES

Contingent Additional Services shall include any services required of the Architect and/or his consultants, which are requested by the Owner, Lender, General Contractor, or any of these respective representatives, that are not specifically outlined herein and that are generally not part of normal services. The following represent services that are not considered to be part of the Architect's "normal" Scope of Services and will be billed, in addition to the Architect's Basic Services, at the Architect's standard hourly rates.

A. Design modifications, requested by the Owner or his representatives that are *inconsistent with the Owner's approval of* the Design Development Documents, that are beyond the Architect's control.

B. All work required to meet with and coordinate with Harris County to obtain the necessary Planned Development and Zoning approvals, including meeting time with City Officials, other Owner representatives, Planning Commission, and City Council meetings.

C. All other services not normally associated with the Architect's Basic Scope of Services, including but not limited to:

1. Providing as-built drawings.
2. Providing detailed estimates of construction costs.
3. Providing material quantity takeoffs.
4. Providing comparative studies of sites beyond this designated site.
5. Preparing drawings for alternative pricing or change orders after Design Development drawings have been approved.
6. Providing services in connection with public hearings, arbitration or legal proceedings, except where the Architect is a party thereto.

VI. BASIS OF COMPENSATION

A. *Compensation for Basic Services*

The Architect shall be compensated for Basic Services based upon the following formula:

5 Typical Units x $8,000.00 per unit =$40,000.00
1 Alt Unit Plan x $3,000.00 per unit=$3,000.00
2 Typical Bldgs. x $7,500.00 per bldg.=$15,000.00
328 units on the she x $50.00 per unit=$16,400.00
6091 sq. *ft.* Clubhouse x$1.00/sf=$6,091.00*
Total Basic Services Architectural Fee $80,491.00**

* All revisions required to adapt the Knollwood I Clubhouse for this Project shall be billed at the Architect's standard hourly rates for Contingent Additional Services. Final fee to be based on actual covered square footage.

** Plus Additional and Contingent Additional Services as outlined below.

B. Compensation for Additional Services

Compensation for Additional Services shall be in addition to the Basic Services and shall be computed as follows:

1. Construction Administration Services shall be billed according to the following:

a. Architect's monthly site visits shall be billed at the rate of $1,500.00 per month, and shall continue until the construction process is completed. Additional visits, if required by the Owner or Contractor, shall be provided under the terms of Contingent Additional Services and shall be billed at the Architect's standard hourly rates.

2. All Structural and M.E.P. Engineering, Landscape Architecture and Interior Design Services that the Owner requests the Architect to provide in addition to Basic Services shall be billed to the Owner at a rate of 1.15 times the amounts billed to the Architect, The Owner shall approve or select each consultant and their fees prior to the Architect contracting such services.

C. Compensation for Contingent Additional Services

1. Architectural

Should the Architect be required to provide Contingent Additional Services, the Architect shall be compensated at the following hourly rates:

Charles Womack	$125.00/hour
Michael Hampton	$ 105.00/hour
Associates	$85.00/hour
Architects	$75.00/hour
Project Managers	$60.00/hour
Draftsmen	$45.00/hour
Secretaries	$35.00/hour

2. Consultants

Should the Architect's Consultant's, including Structural or M.E.P. Engineers, Landscape Architects, or Interior Decorators be required to provide Contingent Additional Services, the Owner will reimburse the Architect for such services at the rate of 1.15 times the amounts billed to the Architect.

VII. SCHEDULE OF PAYMENTS

A. Schematic Design Services

The Architect will provide Schematic Design Services for a stipulated sum of $7,500.00. This fee shall be billed monthly based on the Architect's percentage of completion at the billing date.

B. Design Development Services

The Architect will provide Design Development Services for a stipulated sum fee of $15,000.00. Upon instructing the Architect to proceed with the Design Development phase of service, the Owner

shall pay the Architect a sum of $5,000.00 to initiate this phase of service. The remainder of this fee shall be billed monthly, based on the percentage of completion at the billing date.

C. Construction Documents

The remainder of the Basic Services Fee shall become due during the Construction Document phase of work. Upon instructing the Architect to proceed with the Construction Document phase of service, the Owner shall pay the Architect a sum of $10,000.00 to initiate this phase of service. The remainder of the fee shall be billed monthly based upon the Architect's percentage of completion at the billing date.

D. Additional Services

1. Construction Administration Services

Fees for Construction Administration Services shall be billed monthly during the construction process and until the construction is completed.

2. The Owner will be billed for all other Additional Services as the Architect is invoiced by the Consultants.

E. Contingent Additional Services

The Owner will be billed monthly for Contingent Additional Services as such expenses accrue.

F. Reimbursable Expenses

1. It is agreed the Owner may elect to have all of the printing prepared by a printer of his choice which will be billed directly to the Owner. The Owner agrees to reimburse the Architect and or his Consultants, by means of monthly billings, for printing any of the following at a rate of 1.15 times the amounts billed.

   a. Direct Prints, Mylars, Film Work, Photocopies, Etc...

   b. Renderings (beyond the Mortgage Package), Models, or Photographs.

   c. Deliveries, Postage, Overnight Express, Long Distance Phone Calls, and Out-of-town Expenses.

2. At the Owner's option, the Architect will agree to be reimbursed for all out-of-town travel expenses, including air fair, car rental and gasoline expenses, hotel, meal and parking expenses, based on a stipulated sum of $425.00 per trip. The Owner may elect this option or pay the actual expenses plus the mark-up as outlined above.

3. The Architect's in-house printing will be billed at the standard commercial rates with no additional mark-up.

4. The Architect agrees to provide the Owner with appropriate back-up materials to substantiate each reimbursable billing.

G. Computer Plotting

The Owner shall reimburse the Architect, and his Consultants, for all full-size computer generated drawing plots at the rate of $8.50 per plot.

VIII. TERMS

A. Fees and Reimbursable Expenses are due upon receipt of invoice.

B. Invoices remaining unpaid more than thirty (30) days past the invoice date shall be considered Past Due by the Architect and shall bear interest at the rate often percent per annum.

C. If the services covered by this Agreement have not been completed within eighteen (18) months of the date hereof, through no fault of the Architect, the amounts of compensation, rates, and multiples set forth herein shall be equitably adjusted.

IX. OWNERSHIP AND RE-USE OF DOCUMENTS

A. The Drawings, Specifications, and other documents prepared by the Architect for this project are instruments of the Architect's service for use solely with respect to this project and the Architect shall be deemed the author of these documents and shall retain all common law, statutory, and other reserved right, including copyright. The Owner shall be permitted" to retain copies including reproducible copies of the Architect's Drawings, Specifications, and other documents for information and reference in connection with the Owner's use and occupancy of the Project. The Owner's rights to the Architect's Drawings, Specifications and other Project related documents shall also extend to the Owner's Lender and Owner's equity partner, (as well as the partnership formed by Owner and such equity partner), and Architect shall, upon request, execute documents to confirm the right of such parties to have and use the Architect's Drawings, Specifications and other applicable project documents to the same extent as the Owner.

B. The Owner agrees not to use, copy or cause to have copied, the drawings and specifications prepared for this project on subsequent phases or other sites without proper compensation to the Architect, which shall be based upon a mutually agreed upon of $150.00 per unit (base architectural fee), plus engineering services, plus contingent additional hourly charges and expenses for

plan modifications necessary to adapt these plans and specifications to other sites.

X. THE OWNER'S RESPONSIBILITIES

A. The Owner shall provide full information regarding requirements for the Project including a program, which shall set forth the Owner's design objectives, constraints, and criteria, including space requirements, and relationships, flexibility and expandability, special equipment and systems and site requirements.

B. The Owner shall provide a budget for the Project including contingencies for bidding, changes in the Work during construction, and other costs which are the responsibility of the Owner. The Architect will use his best efforts to design the project within the Owner's budget. It is understood that neither the Owner or Architect has control over the cost of construction. Therefore, the Owner agrees the Architect shall not be held responsible for the construction cost.

C. Tie Owner shall designate, when necessary, a representative authorized to act in the Owner's behalf with respect to the Project. The Owner or such authorized representative shall examine the documents submitted by the Architect and shall render decisions pertaining thereto promptly, to avoid unreasonable delay in the progress of the Architect's services.

D. The Owner shall furnish a legal description and a certified land survey of the site, giving, as applicable, grades, and lines of streets, alleys, pavements and adjoining property; rights-of-way, restrictions, easements, encroachments, zoning, *deed* restrictions, boundaries, and contours of the site; locations, dimensions, and complete data pertaining to existing buildings, other improvements and trees; and full information concerning available service and utility lines both public and private, above and below grade, including inverts and depths.

E. The Owner shall furnish the services of soil engineers or other consultants when such services are reasonably requested by the Architect.

F. The Owner shall furnish structural, mechanical, chemical and other laboratory tests, inspections, and reports as required by law or the Contract Documents.

G. The services, information, surveys, and reports required by Paragraphs X(D) through X(F) inclusive shall be furnished at the Owner's expense, and the Architect shall be entitled to rely upon the accuracy and completeness thereof.

H. Prompt written notice shall be given by the Owner to the Architect if the Owner becomes aware of any fault or defect in the Project or nonconformance with the Contract Documents.

XI. TERMINATION, SUSPENSION OR ABANDONMENT

A. This Agreement may be terminated, with or without cause, by the Owner with not less than seven days written notice to the Architect. This Agreement may be terminated by the Architect only for cause (substantial non-performance by the Owner, i.e. failure of the Owner to make timely payments to the Architect).

B. In the event that this job is terminated, through no fault of the Architect, before any phase of the Architect's work (i.e. design, working drawing, etc.) is complete, the above stated hourly rates or multiples will be used to compute partial compensation then due the Architect and/or Consultants. In any case, the amount of compensation would not exceed the stated fee for the phase, or sub-phase, of work underway at the time of termination.

C. If the Project is suspended by the Owner for more than 120 consecutive days, the Owner agrees to negotiate an additional start-up fee, in addition to the Architect's Basic Services, with the Architect. This additional fee will be for the Architect and his Consultant's to re-familiarize themselves with the project and the project status upon suspension. If the applicable Codes and Ordinances change during the project suspension, the Architect shall revise the drawings and specifications accordingly and the Owner shall be compensate the Architect, and his

Consultant's, for such revisions under the terms for Contingent Additional Services as outlined herein.

D. Failure of the Owner to make payments to the Architect in accordance with this Agreement shall be considered substantial non-performance and cause for termination.

E. If the Owner fails to make payment when due the Architect for services and expenses, the Architect may, upon ten days' written notice to the Owner, suspend performance of services under this Agreement. Unless payment in full is received by the Architect within ten days of the date of the notice, the suspension shall take effect without further notice. In the event of a suspension of services, the Architect shall have no liability to the Owner, Contractor, or any other party, for delay or damage caused because of such suspension of services.

XII. INSURANCE

A. *The* Architect shall, at his sole expense, maintain in effect at all times during the full term of its services under this Agreement and as otherwise required hereunder, insurance coverage's with limits not less than those set forth below with insurers licensed to do business in the State of Texas and acceptable to the Owner and under forms of policies satisfactory to the Owner. None of the requirements contained herein as to types, limits or Owner's approval of insurance coverage to be maintained by the Architect

are intended to and shall not in any manner limit, quality or quantify _ the liabilities and obligations assumed by the Architect under this Agreement or otherwise provided bylaw.

1. Commercial General Liability

   Bodily Injury/ Property Damage (occurrence basis) - $1,000,000.00 each occurrence, or equivalent, subject to $2,000,000.00 aggregate and shall include the following coverage's:

   a. Premises/Operations;
   b. Independent Contractors;
   c. Broad Form Contractual Liability;
   d. Broad Form Property Damage

2. Automobile Liability/ Employee Non-Owned Liability

   Bodily Injury / Property Damage - $500,000 per occurrence single limit.

   This policy shall be on a standard form written to cover all owned, hired and non-owned automobiles.

3. Professional Liability Insurance

   The Architect agrees to provide and maintain, at its expense, a Professional Liability Insurance Policy of $1,000,000. *The* Architect shall use best efforts *to* maintain the insurance for a period of not less than one (1)

year after the date of the final completion of the construction of the Work that is performed in accordance with the services of this Agreement. Ine Architect will provide the Owner with a copy of the terms and conditions of the policy providing Professional Liability coverage. Should the Owner require additional coverage or higher limits of liability, the Owner shall reimburse the Architect for the entire amount of the premium for the excess insurance coverage.

B. Evidence of the insurance coverage required to be maintained by the Architect under this paragraph XH(A) represented by Certificates of Insurance issued by the insurance carriers), shall be furnished to the Owner upon written request of the Owner. Certificates of Insurance shall specify the additional insured status mentioned above. Such Certificates of Insurance shall state that Owner will be notified in writing fifteen (15) days prior to cancellation, material change, or non-renewal of insurance. Architect shall provide to Owner a certified copy of any and all applicable insurance policies upon request of Owner. Timely renewal of certificates will be provided to Owner as the coverage renews. Insurance similar to that required of the Architect shall be provided by or on behalf of all outside consultants and subcontractors of Architect to cover their operations performed under this Agreement. The Architect shall use best efforts to maintain Certificates of

Insurance from all consultants and subcontractors, enumerating, among other things, insured status of the Indemnitees, as required herein, and make them available to Owner upon request.

XIII. MISCELLANEOUS PROVISIONS

A. Terms in this Agreement shall have the same meaning as those in AIA Document A201, General Conditions of the Contract for Construction, current as of the date of this Agreement.

B. This Agreement shall be construed under the laws of the State of Texas, venue shall be in Dallas County, Texas and shall be binding on the parties, their respective heirs, administrators, executors successors, and assigns. This Agreement represents the entire agreement of the parties and can be amended only by written instrument signed by both parties. If any portion of this Agreement if found to be invalid, as a result of a conflict with the Laws of the State of Texas, the remainder of the agreement shall remain valid.

C. The Owner and Architect, respectively, bind themselves, their partners, successors, assigns and legal representatives to the other party to this Agreement and to the partners, successors, assigns and legal representatives of such other party with respect to all covenants of this Agreement. Neither Owner nor Architect shall assign this Agreement

without the written consent of the other, except that the Owner will be entitled to assign this Agreement and/or its rights hereunder *to* the Owner's Lender and Owner's equity partner (as well as the partnership formed by Owner and such equity partner), and Architect shall, upon request, execute documents confirming any such assignment. The Owner or Architect shall not unreasonably withhold the consent to assign this agreement.

D. Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against either the Owner or Architect.

E. The Architect and Architect's consultants shall have no responsibility for the discovery, presence, handling, removal or disposal of or exposure of persons to hazardous materials in any form at the Project site, including but not limited to asbestos, asbestos products, polychlorinated biphenyl (PCB) or other toxic substances. The Architect agrees not to include any hazardous materials or hazardous materials-containing components in the design or specifications for the Project.

F. The Owner agrees to hold harmless and defend the Architect, including reasonable expenses for attorneys, the costs of discovery, and court cost, for any suit or demand arising out claims or suits related to an error or omission caused by any Design Professional or Consultant employed directly by the Owner.

G. The Architect shall have the right to include representations of the design of the Project, including photographs of the exterior and interior, among the Architect's promotional and professional materials. The Architect's materials shall not include the Owner's confidential or proprietary information if the Owner has previously advised the Architect in writing of the specific information considered by the Owner to be confidential or proprietary. The Owner shall provide professional credit for the Architect, and his Consultant's (if any), on the construction sign and in the promotional materials for the Project.

H. For your information and protection, the Texas Board of Architectural Examiners, 333 Guadalupe, Suite #2-350, Austin, Texas 78701-3942, (512) 305-9000, has jurisdiction over individuals licensed under the Architect's Registration Law, Article 2491, VTCS.

We are very pleased to have been selected as the Architects for this project and look forward to continuing our successful working relationship with Trammel! Crow Residential. If you agree with the contents of this Agreement, please execute both copies and return one copy for our files. If you have any questions or comments, please feel free to call.

Sincerely,

Womack+Hampton
Architectural Joint Venture

/s/ Charles R. Womack
Charles R. Womack, NCARB, AIA
Principal

/s/ R. Michael Hampton
R. Michael Hampton, NCARB, AIA
Principal

The OWNER, (TCR Gulf Coast Properties, Inc. & its Assigns), represented by

(signature) /s/ Kenneth J. Valach,

Name: Kenneth J. Valach, Title: V.P.

hereby agrees to the contents of this Agreement on this 24th day of February, 1998.